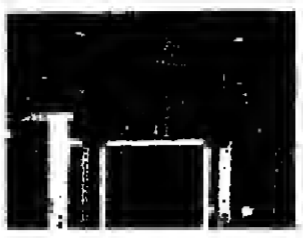


FINANCIAL TIMES



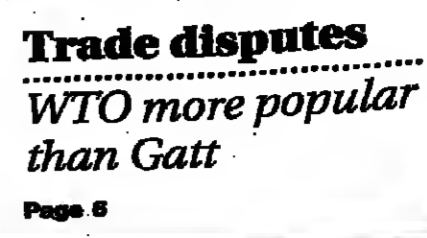
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Big risks for
China too
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Wider role in
quality control
Technology, Page 17



Argentina
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World Business Newspaper http://www.FT.com

THURSDAY AUGUST 8 1996

IBM, Mercedes plan advanced car computer

IBM, the world's largest computer group, and Mercedes-Benz of Germany are working together to develop vehicle electronics networks to control engine functions, transmission and other mechanical operations and provide access to the Internet, satellite navigation systems, traffic and other data. Page 12

China agrees to join nuclear test ban: The US has reached a deal with Beijing to add China's signature to a treaty outlawing all future nuclear test explosions. Only objections from India are holding up an agreement. Page 12

Scientists doubt proof of Martian life: The European Space Agency's top Mars scientist warned evidence of life on the planet, uncovered by NASA scientists, should not be taken too seriously. Page 4; Editorial Comment, Page 11

N Ireland march banned: The British government moved to head off violence in Northern Ireland after the banning of a planned Londonderry march on Saturday by the Protestant Apprentice Boys. Page 8

Adidas announced a 56.3 per cent rise in pre-tax profits to DM249m (\$167m) for the first half of 1996, highlighting the German sports goods maker's recovery from financial difficulties in the early 1990s. Page 13

ValueJet reported a second-quarter loss of \$9.6m after the discount US carrier was grounded in June following a crash in the Florida Everglades in May. Page 15

British new car sales up 17%: Registrations of new cars in Britain jumped by 17 per cent year-on-year in July, boosting hopes of sales over 2m this year for the first time since 1990. Page 8

Dresdner Bank of Germany announced operating profits of DM1.42bn (\$966m) in the first half of 1996, a rise of 44 per cent, helped by a strong securities business and a first-time contribution from Kleinwort Benson, the UK investment bank acquired last year. Page 13

Toyota, Japan's largest carmaker, will invest \$150m in a new production factory in Brazil, despite a continuing row between the two countries over Brazil's car policy. Page 6

Cathay Pacific Airways, the Hong Kong-based airline, announced net profits of HK\$1.65bn (US\$214m) for the first six months of the year - a 67 per cent rise over 1995. Page 13

Brazil plans banks bail-out: Brazil unveiled a plan to restructure the country's debt-burdened state banks in a move seen as part of an assault on mounting public sector debt. Page 12

Fed sees US growth easing: The US Federal Reserve said the economy kept growing in June and July but there were signs the pace was easing from its hectic second-quarter rate. Page 3

\$4m bail for ex-Bremer Vulcan Chief: A German court set a DM6m (\$4m) bail for Friedrich Hennemann, the former chairman of bankrupt shipping group Bremer Vulkan AG, who was arrested on June 20 for suspected misuse of funds.

India announces Kashmir elections: India said it will hold elections in the troubled Jammu and Kashmir state in September, the first in the Himalayan province for nine years.

Radish linked to Japan food poisoning



A Tokyo shopkeeper displays radish sprouts (above) for sale at a local supermarket. Japan's health ministry said radish sprouts might be the source of a food poisoning outbreak that has killed seven people and affected more than 9,000 others. Page 4

FT.com: the FT web site provides online news, comment and analysis at http://www.ft.com

NEW STOCK MARKET INDICES			NEW GOLD		
New York S&P 500	5,082.52	(-2.59)	New York Comex	328.41	(39.4)
Dow Jones Ind Av	5,082.52	(-2.59)	London	328.41	(39.4)
NASDAQ Composite	1,123.81	(-4.74)	Osaka	328.41	(39.4)
Europe and Far East					
CAO	1,085.74	(-2.80)			
DAI	2,331.88	(-8.42)			
FT-SE 100	3,811.1	(-22.7)			
Nikkei	20,477.39	(-267.25)			
IN US LIGHTNING RATES			IN DOLLAR		
Federal Funds	5.5%		New York Treasury		
3-mth Treas Bill Yld	5.125%				
Long Bond	5.93%				
Yield	5.74%				
IN OTHER RATES			IN STERLING		
UK 3-mth Interbank	5.12%	(same)	New York	2.2889	(2.721)
UK 10 yr GB	5.81%	(89.1)	London	2.2889	(2.721)
France 10 yr DAT	108.32	(108.45)			
Germany 10 yr Bond	5.82%	(58.73)			
Japan 10 yr JGB	5.8482%	(58.0714)			
IN NORTH SEA OIL (August)			Tokyo close		
Brent Blend	21.575	(19.565)			

Washington move will allow Baghdad to spend \$1.1bn on medicine and food

US clears way for Iraq oil sales

By Michael Littlejohns in New York and Robert Corzine in London

The US yesterday withdrew its opposition to a plan that will permit Iraq to sell up to \$2bn-worth of oil and use the proceeds for humanitarian purposes.

The move clears the way for the first approved international sales of Iraqi oil since the Gulf war began in 1990.

Ms Madeleine Albright, the US delegate to the United Nations, announced that Washington had dropped objections that had delayed the UN Security Council sanctions committee's approval of a scheme to distribute food and medicine to Iraq's civilian population, including rebel Kurds in the north.

All 15 Security Council members sit on the sanctions committee and the US was the only member to object when the panel met last week.

Oil prices yesterday dipped 20 cents for the benchmark Brent Blend for September delivery but recovered in late trading to end at \$18.475 a barrel, a fall of 2 cents on the day.

Some traders fear the return of an estimated 700,000 barrels a day of Iraqi crude oil to world markets after a six-year absence could trigger further price falls, as Baghdad battles to recover customers lost to rival Middle Eastern producers such as Iran, Kuwait and Saudi Arabia.

It was unclear last night when the first oil would be shipped. Oil traders said 12m barrels of Iraqi crude were stored at the Turkish port of Ceyhan ready for loading on to tankers. Iraqi officials said it could take only two weeks to conclude the first sale.

But western diplomats said a month might be needed to ensure enough aid and oil sales monitors were in place in Iraq to make certain the regime's compliance with the UN guidelines.

The Iraqi oil distribution

proposal was accepted last month by Mr Boutros Boutros Ghali, the UN Secretary General, but the US insisted on stricter monitoring.

Ms Albright said the US would make sure that the necessary procedures for oil sales and the distribution of civilian supplies were carried out "very rigorously". It was imperative to ensure that the "right people" benefited. She added that US approval did not in any way abrogate the existing sanctions regime.

Ms Albright said a few technical questions still had to be resolved. The US was insisting that the UN engage a sufficient number of monitors and

put them "in the right places". Oil sales will be permitted over a six-month period, but delegates say the programme is likely to be extended if procedures are satisfactory.

Under the Security Council resolution adopted last year, Iraq would have to spend \$1.1bn on food and medicine, \$200m-\$300m on relief for the Kurdish minority and \$40m-\$100m on supporting UN operations in Iraq. UN inspectors will monitor how the money is spent.

The Organisation of Petroleum Exporting Countries, whose member countries control more than a third of world



supply, has said it would call an emergency meeting if Iraqi oil sent world prices tumbling. Commodities, Page 20

Chechen rebels step up assault on Grozny

By John Thornhill in Moscow

Chechen separatists yesterday intensified their assault on Grozny, the capital of the southern Russian region, killing more than 50 federal troops and causing a shadow over President Boris Yeltsin's inauguration ceremony tomorrow.

After a fragile ceasefire agreement broke down earlier this month, Chechen rebels launched a series of guerrilla raids on Russian troop positions. Yesterday they fought their way into the heart of Grozny, seizing the telephone exchange and threatening to storm the local government headquarters.

The assault prompted a fierce response from Russian helicopter gunships as army commanders vowed to "take all possible steps" to evacuate civilians and clear the city of guerrillas. Russian reinforcements arrived in Grozny last night to secure government offices, according to Interfax, the Russian news agency.

The fighting in Chechnya will come as a severe embarrassment to Mr Yeltsin as he prepares to greet 3,000 Russian and foreign dignitaries at his inauguration ceremony in the Kremlin. The ceremony will be the first occasion that a democratically elected leader in Russia's history as a sovereign nation.

All leaders from the Commonwealth of Independent States are expected to attend the inauguration as well as foreign ambassadors in Russia. But fresh concerns were raised about the state of Mr Yeltsin's health as the inauguration's organising committee switched the venue for the ceremony from the Cathedral Square to the Soviet-era Kremlin palace.

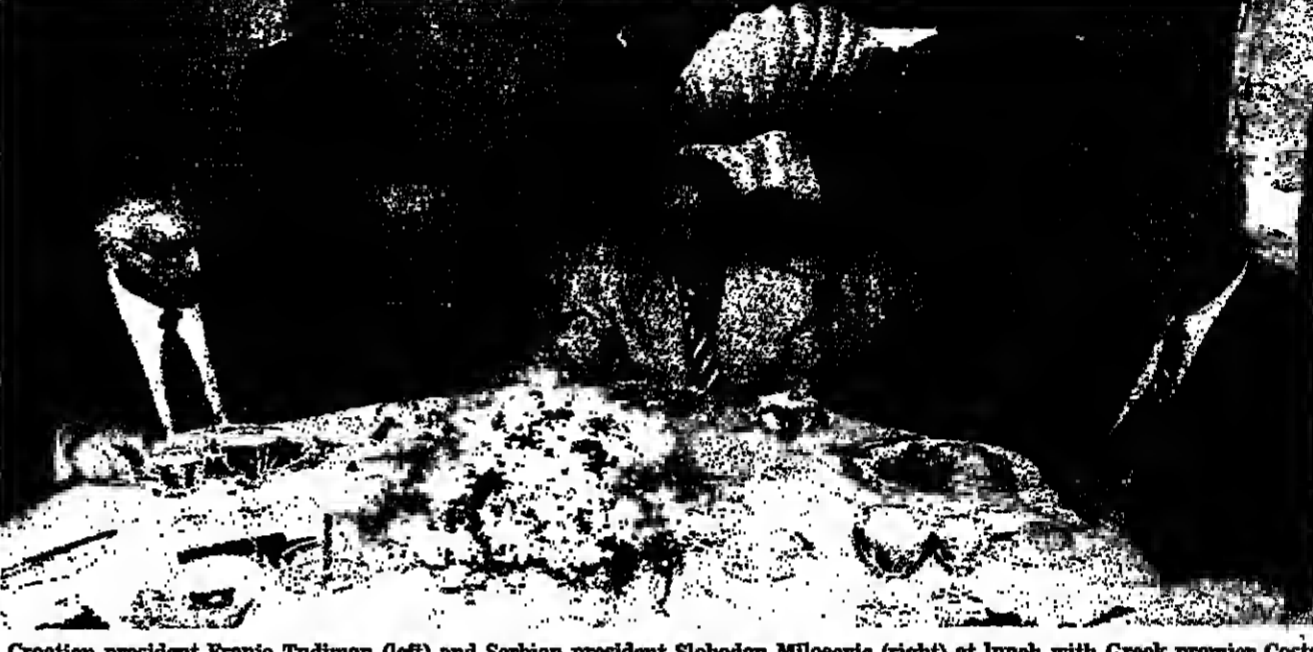
The president's press service said the change of venue from an outdoor to an indoor site was purely a cost-cutting measure that would save Rhs2,000bn (\$1.7m).

But some observers suggested Mr Yeltsin wanted to minimise his exposure at the ceremony, which has already been cut from 60 to 30 minutes. Mr Yeltsin has not been seen in public since June 26.

His failure to resolve the conflict in Chechnya may also alienate many of his liberal supporters who grudgingly backed the president's reelection bid. But Mr Alexander Lebed, the secretary of the Security Council, held out some hopes yesterday that a new more broadly based peace initiative would soon be launched in Chechnya.

Mr Lebed said the Security Council planned to convene a forum of all interested parties in Chechnya to hammer out a compromise solution.

Zyuganov eyes links with nationalists, Page 2; Tall order for a tired man, Page 11



Croatian president Franjo Tudjman (left) and Serbian president Slobodan Milosevic (right) at lunch with Greek premier Constantinos Mitsis during talks in Athens where Serbs and Croats made progress on opening full diplomatic relations. Report, Page 2. Picture: Reuters

France announces big spending cuts

By Andrew Jack in Paris

The French government yesterday announced plans for substantial cuts in public spending to achieve a planned spending freeze in 1997.

But scepticism in the markets about the French government's ability to maintain budgetary rigour reinforced recent downward pressure on the franc. It closed at FF3.413 against the D-Mark, its lowest closing level since March and a fall of 1.7 centimes against the D-Mark this week.

The Matignon, the prime minister's office, said it had set "an unprecedented" objective of cutting more than FF760bn (\$122bn) in real terms from

expenditure targets across government departments to ensure that next year's overall target was maintained at this year's level of FF1,532bn.

Mr Jean Arthuis, the minister of economics and finance, dismissed the pressure on the franc, which he said was driven by "rumours" that encourage speculation. "Especially during August," Mr Arthuis said the first elements of the government's promised five-year tax reform programme would be unveiled in parliament this autumn, and that the government aimed to reduce the tax burden for the current year.

Yesterday's budget figures emerged after the last French cabinet meeting before the

Schering profits boosted by surge in MS drug sales

By Judy Dempsey in Bonn and Daniel Green in London

Schering, the German pharmaceuticals company, yesterday delivered the profits growth investors have been expecting for more than two years.

The sharp rise in profits was helped by a surge in the sales of Schering's multiple sclerosis drug, the first to be marketed by a pharmaceuticals group.

Net profits for the first half of the year rose 32 per cent from DM181m in 1995 to DM244m (\$185m). The company said it expected profits to grow by a third for the whole year.

This rate of growth is double that posted by most large pharmaceuticals companies at the interim stage. Schering shares rose 3.2 per cent to DM106.90.

The profits rise ends a run of disappointing results over the past year, caused partly by the strong D-Mark. Invest-

ment analysts have criticised the company for what they regarded as passive management. Mr Mark Tracey, analyst at Goldman Sachs in London, said the company had undergone a transformation in the first half of the year.

"Management seems to have got its strategic act together," he said. He said Schering had signed a distribution agreement with Abbott Laboratories of the US, one of the world's biggest suppliers of hospital drugs, for Schering's contrast agents, used to make X-ray images clearer.

Schering's growth was led by a sharp increase in foreign sales, lower tax charges and higher sales in its diagnostic and fertility divisions.

Sales of its multiple sclerosis drug, Betaseron, rose from DM190m to DM265m in the first half. Group sales rose 11 per cent from DM2.3bn to DM2.56bn. Foreign sales rose 12 per cent, from DM1.95bn to DM2.19bn, with sales in the

US and Latin America rising 20 per cent. Domestic sales increased 6 per cent, from DM355m to DM375m.

The tax burden on pre-tax earnings fell to 41 per cent as most growth was in countries with lower corporate tax rates than Germany.

Sales in the fertility control and hormone therapy division grew 10 per cent, from DM705m to DM775m, with Climara, a hormone drug launched last year in the US contributing DM21m.

Earlier this year, Schering took a 74.9 per cent stake in the Jenapharm group, an east German company specialising in fertility products. Last month it bought Leiras, the Finnish company specialising in fertility control and hormone treatments. The pharmaceuticals business, which grew by 18 per cent, from DM577m to DM677m, was boosted by sales of Betaseron.

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The exploitation of research results and the development of technology based firms are two of the keys to employment growth and regional development. In many countries the University campus has been a rich source of such start-up, high technology enterprises.

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NEWS: THE AMERICAS

Republican abortion rift deepens

By Jurek Martin in Washington

The deep Republican divisions over abortion were further underscored yesterday as moderates accused religious and cultural conservatives of trying to create a "monolithic" party, while pro-life candidates emerged victorious in scattered congressional primaries.

Governor William Weld of Massachusetts, a staunch advocate of abortion rights, warned that he was ready to lead a floor fight at next week's convention in San Diego if the party's platform committee did not agree to publish a minority report emphasizing the diversity of Republican opinion.

That approach has been rebuffed in committee deliberations to date. But, Mr Weld said, "It seems to me this isn't rocket science. We know half the delegates are pro-life and almost half are pro-choice. Why don't we just say so?"

He then contacted prominent Republicans of similar persuasion, including Governors Pete Wilson of California and Christine Todd Whitman of New Jersey and Senator Olympia Snowe of Maine.

The support of a majority in six state delegations is needed to bring any issue to the floor of the convention for full debate, a goal which Mr Wilson thought was within reach.

Mr Weld argued that it was vital for Republicans to show their "inclusiveness" on social issues and concentrate on economics in the fight against President Bill Clinton.

"If we do that, I don't think it's necessarily negative for [likely presidential candidate Bob] Dole to pick either a pro-life or a pro-choice running mate."

But the strength of the pro-life forces at grass-roots levels was again shown in the Republican primaries, frequently dominated by committed activists. In three of the four Senate contests, in Kansas, Michigan and Georgia, the only important difference between the winners and losers was their position on abortion.

In Michigan, for example, Mrs Roma Romney, a former talk show host who was previously married to the son of the ill-fated late state governor George Romney, edged out Mr Jim Nicholson, a pro-choice businessman.

David Pilling on the economic problems awaiting Cavallo's replacement

Different minister, same Argentina

Mr Roque Fernández, Argentina's new economy minister, could hardly have hoped for a smoother first few days in office. Instead of the turbulent markets many had expected to follow the removal of Mr Domingo Cavallo, his predecessor, Mr Fernández has been greeted by market optimism and strong investor support.

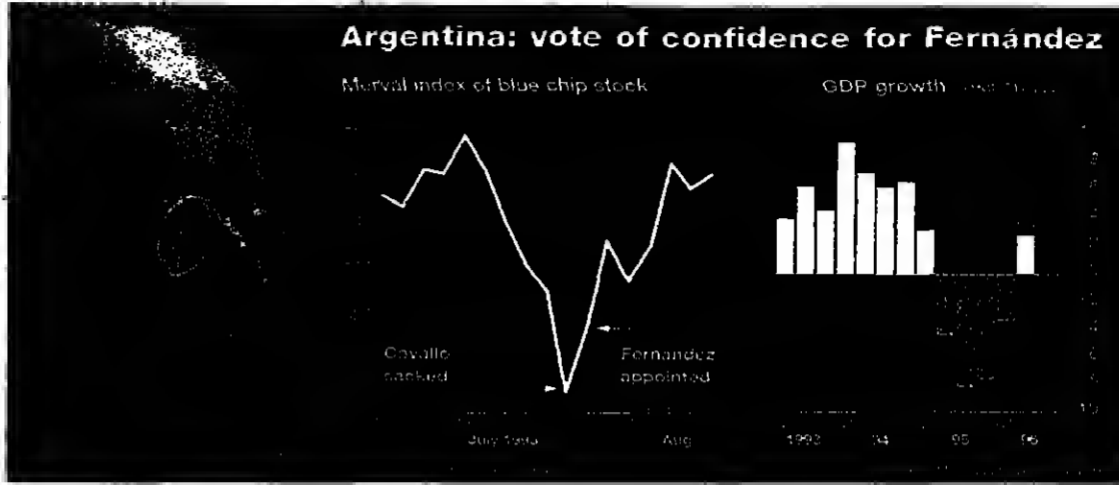
Much of that is to do with the political astuteness of President Carlos Menem, who judged to perfection the moment to sack his assertive economy minister - once considered the guarantor of Argentina's economic model - and who mounted an impressive operation designed to bolster the credibility of Mr Fernández the weekend after the dismissal.

Before markets opened on Monday July 29, Mr Fernández had received the support of all sections of the Argentine establishment, including Mr Cavallo. He had also named a team of highly orthodox, monetarist economists judged stalwart defenders of the convertibility system, Argentina's economic cornerstone that pegs the peso at parity with the dollar.

Markets reacted like a dream, with the local Merval index of blue-chip stock up nearly 10 per cent in the first week after Mr Fernández's appointment. Interest rates remained virtually unchanged.

"The world did not collapse," says Mr Freddy Thomssen of ING, the Dutch bank. "But now we realise that this is the same world as last month, with the same problems and few solutions."

Those problems centre on a stagnant economy struggling to haul



itself from the deep recession of last year. Tax receipts are short of targets set with the International Monetary Fund, obliging the treasury to raise taxes further or to look for spending cuts. Convertibility, which forbids the printing of local currency not backed by foreign inflows, in effect removes the tools Argentina might otherwise use to jolt the economy into action.

Room for manoeuvre is narrow. Next year, according to Merrill Lynch, the US securities house, Argentina's financing needs reach an uncomfortable peak, with debt-service payments rising from \$11.7bn in 1996 to \$14.8bn.

"The reason the transition was so smooth was due to the orthodoxy of the economic team," says Mr Pedro Lacoste of the Alpha economic consultancy. "But this could backfire in the medium term."

This could happen, he believes,

because Mr Fernández, as a strict Chicago-trained monetarist, is likely to be more rigid in his policy decisions than Mr Cavallo. Social and political demands are mounting fast, given 17 per cent unemployment, and the likely inflexibility of Mr Fernández could quickly become a headache for the Peronist party, which has its roots in the working class.

Neither does Mr Fernández have the political clout of his predecessor, who often took the blame for unpopular decisions, shielding the president from criticism.

Mr Fernández, most analysts agree, will take a tougher stance than Mr Cavallo on the growing fiscal deficit - likely to reach \$6bn, or nearly 2 per cent of gross domestic product, this year. Mr Cavallo tended to put his faith in expected future growth, while Mr Fernández, conscious of the rig-

orous standards imposed on Argentina by foreign investors, will be inclined to seek immediate deficit reduction.

"On the one hand, Fernández has to adopt a tighter fiscal policy to show that the deficit has not become structural," says Mr Lacoste. "But, on the other, he has to make every single effort to speed up recovery. That, of course, is a contradiction."

Mr Geoffrey Dennis, chief Latin American strategist at Bear Stearns, the US investment bank and brokerage group, agrees: "The biggest problem, once you've got over the issue of confidence, is that it's going to be no easier for Fernández - and probably more difficult - to get the economy going again."

Hemmed in by convertibility on one side and IMF targets on the other, "Fernández will face exactly

the same problems as Cavallo."

It is unclear whether the fractious Peronist party has the stomach to push through ever-tougher policies. Peronists in Congress have promised to co-operate with the new minister but, with the threat of market collapse overcome, their pledges may quickly evaporate. A commitment last week to dispatch several privatisation bills has already been broken. Unions too, which are today mounting a 24-hour general strike against economic policy, are not likely to extend an over-friendly hand to the conservative Mr Fernández, who is bent on making labour relations more flexible and on seeking further spending cuts. It may not be long before the wrath previously reserved for Mr Cavallo shifts to his replacement.

"Mr Fernández may be doomed to entering a lose-lose game," warns Mr Shafiq Islam of Credit Suisse. "If he goes after greater fiscal austerity in a jobless economy struggling to emerge from recession, he will quickly earn the wrath of the old-guard Peronists. If he gives in to Menem's manipulation, he will lose credibility in the international financial community and earn the ire of the IMF."

Mr Orlando Ferreres, an economic consultant, believes that Mr Fernández has the skills to steer the economy in the right direction, and that President Menem has the political courage to push through necessary legislation.

Above all, he says, recent events have been a test of five for Argentina. "The minister of convertibility has gone," he says. "But convertibility itself has remained."

US growth eases

The US economy kept growing in June and July, the Federal Reserve said yesterday, but there were signs the pace was easing from its hectic second-quarter rate, Restier reports.

Raw material and finished goods prices were generally flat, the Fed said in its latest Beige Book summary of national economic activity, while wage pressures "remained subdued" despite tight labour markets.

Fed policy-makers will use

the book, compiled by the New York regional Fed bank, when they meet on August 20 to plot interest-rate strategy.

The Fed is expected to hold rates steady amid a spate of government and industry reports showing the economy slowing after the strongest growth in two years. Facing the second quarter, the book said retail sales were softer in most of the country at the start of the second half of the year.

Canada paves way for telecoms battles

By Bernard Simon in Toronto

Canada has bowed to the rapid convergence of telecommunications services by clearing the way for open competition between telephone and cable television companies.

Players on both sides are expected to move cautiously to take advantage of the new policy, which was announced after a cabinet meeting earlier this week.

Mr John Manley, industry minister, said, "the objective of the exer-

cise is to provide choice, to promote technological innovation and to bring about lower prices for consumers."

But Mr John Henderson, analyst at ScotiaMcLeod, a Toronto-based securities firm, said the new regime "doesn't change the economic or technical barriers, which are high". In addition, various regulatory issues, such as interconnection rules and curbs on cross-subsidisation, still need to be ironed out.

Canada has taken a more grad-

ual approach than some other industrial countries in telecoms and broadcasting deregulation.

The telephone market is dominated by about 10 local phone companies, led by Bell Canada, which have a near-monopoly on services in each province. The phone companies have proved unexpectedly agile in responding to competition in the long-distance market, introduced in 1992.

The cable-TV industry has the advantage of a modern network and one of the world's highest pen-

etrations. About 80 per cent of Canadian homes have access to cable-TV.

But the cable operators have so far concentrated on specialised telecoms markets, such as broadcast studio feeds and private business circuits. The phone companies' muscle, cross-subsidisation of local rates by long-distance services, and sobering experiences in other countries, notably the UK, have made the cable-TV industry hesitant to mount a full-scale assault on the telephone market.

Mr John Kuhn, a Toronto consultant, predicted some cable operators will start providing local telephone services next year. British Columbia's phone company recently gained approval to supply cable-TV programming to a large new residential development in Vancouver.

However, head-to-head competition could be fiercest in high-speed internet services. Some cable operators have recently begun trials in a Toronto suburb and in parts of Quebec.

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A market needs balance.

Are you aware that every day European governments pour over \$6 million of taxpayers' money into the coffers of struggling airlines, thus enabling them to flood the market with dumping prices?

Jürgen Weber, Chairman of the Lufthansa Executive Board, comments: "This conduct is unfair because it flagrantly violates the code by which subsidies are granted – namely as 'one-time' restructuring assistance, which may not be used to finance price dumping activities. However, this is exactly what has happened.

Prices have dropped by thirty, even fifty percent – in some cases to compensate

for the disadvantage of detours via foreign hubs for passengers and airfreight shippers. Then there are airlines which – although posting losses – submit unrealistic bids for public contracts in order to maintain their cash flow."

Yet, despite these patently unfair conditions, those airlines which are wholly or for the most part privatised – such as British Airways, SAS and Lufthansa – operate at a profit, while state-owned European carriers are in the red.

In the long run, however, we can only remain competitive by rigorously controlling costs, while further improving the

quality of our services and investing in technical innovations.

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NEWS: WORLD TRADE

Antagonists queue for WTO judgment

Frances Williams on a vote of confidence in the trade body's capacity to settle disputes

WORLD TRADE NEWS DIGEST

Toyoda and TI weigh venture

Toyota Automatic Loom Works, a core company of the Toyota group, and Texas Instruments of the US are expected to announce a joint venture to produce advanced generation semiconductor chips in Japan for use mainly by the Toyota group of vehicle manufacturing companies.

Manila cement plant setback

The Philippine government yesterday refused to issue a licence for a \$600m cement plant north of Manila on ecological grounds.

The decision to reject the plant, a joint venture between Marubeni of Japan and Tuntex of Taiwan, is the latest in a series of recent decisions by the government heralding a much stricter interpretation of the country's existing environmental regulations.

Saudi-Japan loan accord

Saudi Methanol Company (AR-Razi), a joint venture affiliate of Saudi Basic Industries Corporation (Sabic) and a consortium of Japanese companies, yesterday signed a \$160m loan agreement with the Export-Import Bank of Japan (Eximim) to finance its expansion programme.

Japan's complaint against Brazil's import regime for cars, lodged with the World Trade Organisation last week, was the 51st trade squabble to be brought to the WTO for arbitration since its creation in January last year.

The number of WTO disputes - there have been 26 filed since the beginning of this year - compares with 196 cases handled by its predecessor, the General Agreement on Tariffs and Trade, over nearly half a century.

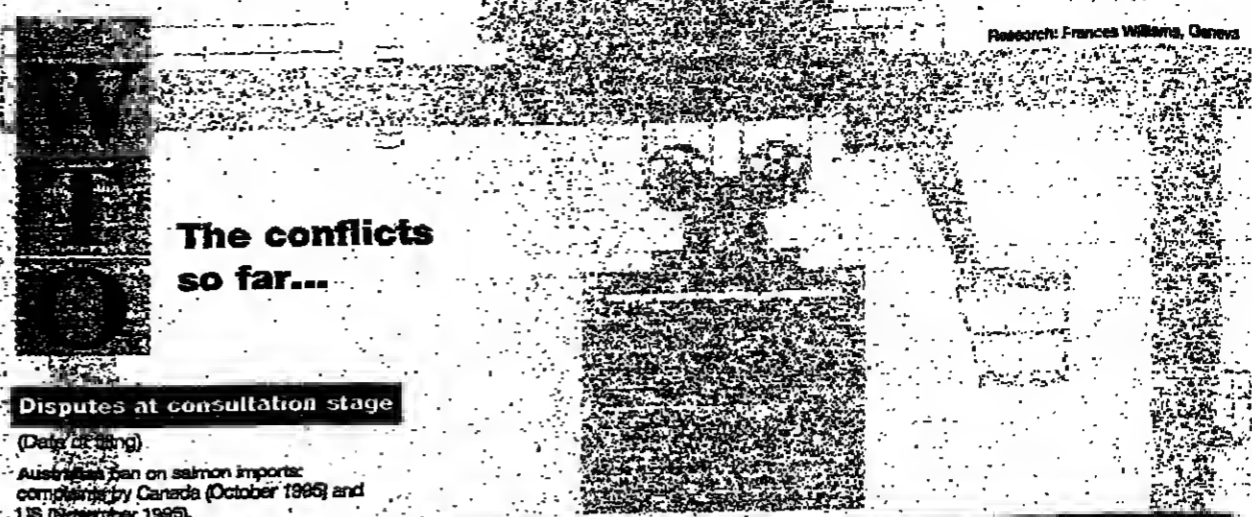
These fears were reinforced when Washington last year refused to bring to the WTO its row with Japan over imports of cars and car parts, which was eventually settled bilaterally.

The US has in fact been the biggest user of the WTO dispute settlement system, bringing 18 complaints on everything from food inspection procedures in South Korea to taxation of foreign film revenues in Turkey.

It has also been a surprising sporting loser, agreeing without fuss to implement a judgment against it on discriminatory anti-pollution regulations for petrol imports after an unsuccessful appeal.

In a dispute with India over a quota on imports of wheat, the US rescinded the quotas before a panel could start work. And last month Washington pre-empted establishment of a panel by revoking punitive tariffs on EU food and drink exports imposed in 1988 in retaliation for the EU's ban on hormone-treated meat.

The move makes unnecessary a WTO challenge to unilateral trade action under Section 301 of US trade law, which the US would almost certainly lose, but also reflects US confidence that its WTO complaint against the EU's hormone ban will be upheld when the panel reports later this year.



Disputes at consultation stage

(Date ending)

- Australian ban on salmon imports: compliance by Canada (October 1995) and US (December 1995)
Turkish textile import duties: complaints by Hong Kong (February 1996), India (March 1996) and Thailand (June 1996)
Hungarian export subsidies: complaint by Argentina, Australia, Canada, New Zealand, Thailand and US (March 1996)
Pakistan's patent rules: complaint by US (April 1996). Similar US complaint against India (July 1996)
Portuguese patent rules: complaint by US (April 1996)
US ignition lighting: economic embargo on Cuba: complaint by EU (May 1996)
South Korean telecoms procurement: complaint by EU (May 1996)
South Korean inspection procedures for agricultural products: complaint by US (May 1996), earlier complaint filed April 1995.
Lack of Japanese copyright protection for pre-1971 sound recordings: complaint by EU (May 1996), earlier complaints by EU and US.
Taxation of foreign film revenues: complaint by US (June 1996)
Restrictions in Japanese photo-film market: complaint by US (June 1996)
Japan's retail distribution system: complaint by US (June 1996)
Brazil's export subsidies for aircraft: complaint by Canada (June 1996)
US anti-dumping probe on tomatoes: complaint by Mexico (July 1996)
Brazil's car import regime: complaint by Japan (July 1996)

Panel investigations under way

(Date established)

- Japanese liquor taxes: complaint by EU, Canada and US (October 1995). Panel report upholding complaint completed June 1996.
Brazil's anti-subsidy duties on decaffeinated coconut: complaint by the Philippines (March 1996). Sri Lanka filed separate complaint (February 1996)
US import quotas on underwear: complaint by Costa Rica (March 1996)

Disputes settled

- US pollution standards for petrol: complaints by Venezuela and Brazil upheld on appeal.
Malaysian restrictions on petrochemical imports: complaint by Singapore withdrawn after measures rescinded.
South Korea's rules on shelf-life for food products: complaint by US withdrawn after settlement.
Japanese telecoms procurement: complaint by EU suspended. Threat of US punitive sanctions: complaint by Japan withdrawn after car dispute settled.
EU labelling regulations for scallops: settlement reached with Canada, Peru and Chile after panel upheld their complaints.

Disputes settled (cont.)

- US import quotas on wool shirts and blouses: complaint by India (April 1996)
EU banana import regime: complaint by Guatemala, Ecuador, Honduras, Mexico and US (May 1996). An earlier complaint was filed in September 1995.
EU ban on hormone-treated beef: complaint by US (May 1996). Canada filed a separate complaint (June 1996). Canadian restrictions on imported magazines: complaint by US (June 1996)
EU duties on cereal imports: complaints by Canada, US, Thailand and Uruguay suspended after settlement.
Poland's car import regime: complaint by India withdrawn after settlement.
South Korea's rules on bottled water: complaint by Canada withdrawn after settlement.
Venezuelan anti-dumping probe on tubular goods: complaint by Mexico suspended after settlement.
US import quotas on women's and girls' wool coats: complaint by India withdrawn after quotas rescinded.
US punitive tariffs in beef hormone dispute: complaint by EU suspended after tariffs repealed.

A feature of the WTO's dispute mechanism has been success in encouraging settlement of trade arguments at an early stage. Nine cases have been formally withdrawn, and a few others have been settled 'out of court'. In most of these the dispute was resolved during the 60-day consultation period, though the EU waited for an unfavourable panel report on its labelling regulations for scallops before coming to a deal with Canada, Peru and Chile.

Toyota to build \$150m plant in Brazil

By Michiyo Nakamoto in Tokyo and Jonathan Wheatley in São Paulo

Toyota, Japan's largest carmaker, is to invest \$150m in a new production facility in Brazil despite a continuing row between the two countries over Brazil's car policy.

Toyota said yesterday its decision to manufacture in Brazil stemmed from market conditions and growth prospects, rather than the Brazilian government's recently adopted car trade policy.

The new facility, which will be Toyota's second in Brazil, will be located in São Paulo and will produce the Corolla medium-sized passenger car from the end of 1996. Initial production capacity will be 15,000 units per year but is expected to increase with the development of the regional car market, Toyota said.

Under Brazil's policy, manufacturers with local content of over 60 per cent and which balance exports of vehicles with imports of parts, will be able to reduce tariffs on finished vehicles from as much as 70 per cent to 35 per cent.

The Brazilian government unveiled its new policy, Honda announced that it would start manufacturing passenger cars in Brazil from 1997. Neither Toyota nor Honda will be able to take advantage of the new policy. Local content for Brazilian-made Corollas will initially be just 45 per cent and the company does not plan to export the cars right away.

Chrysler considers Philippine base

By Edward Luce in Manila

Chrysler, the US car manufacturer, is considering the Philippines among other possible sites for a \$500m-\$750m car assembly and components plant which would act as a base for exports to south-east Asia, according to Philippine officials.

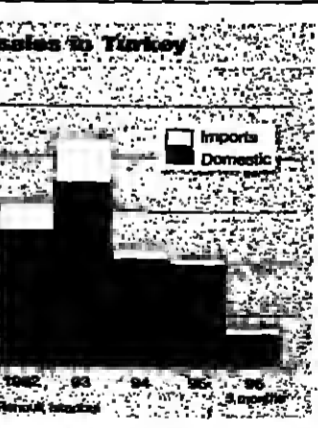
The Philippine government is also negotiating with the Manila-based Asian Institute of Management to set up a vehicle management training school designed to aid potential investors.

The Detroit-based company, which already assembles cars in Thailand and distributes Jeep Cherokee and Dodge Caravan models in the region, would assemble estate cars for export. Ministers said Chrysler was also studying the viability of opening a new plant in Thailand, the largest base for foreign car assemblers in south-east Asia.

Renault to invest \$362m in Turkey

By John Bartham in Ankara

Renault, France's state-owned carmaker, will invest \$362m (£235m) to build its Megane range of estate cars in Turkey. Mr Utku Soygenç, state minister, said Renault has applied for authorisation to make the investment which should create 1,100 jobs and described it as the biggest investment in Turkey since the customs union with the European Union in January.



Renault's decision to invest is an important gesture of confidence in Turkey, following the appointment in June of an Islamist-led coalition government. Mr Jacques Chauvet, Renault general manager, warned recently of the importance of maintaining 'stability of the rules of the game. You need some visibility when you invest hundreds of millions of dollars.'

Mr Chauvet said: 'We are not afraid of competition, but it must be fair'. He complained of alleged pressure by Japan and South Korea on Turkey to waive tax, import duties and local content rules. Customs union has made Turkey an attractive manufacturing base with free access to the EU and low wage costs. Companies can only export to EU markets after attaining minimum local content levels.

Manila is offering the same generous incentives as were extended to GM

General Motors, which said it chose Thailand over the Philippines because of its superior infrastructure and car manufacturing skills base, has also pledged to invest in smaller vehicle components plants in the Philippines over the next 12 months. Officials say Ford of the US is also looking at possible sites in the Philippines.

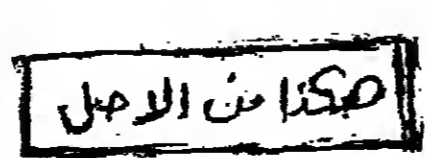
The Philippine market, with 152,000 vehicle sales last year, is less than one-third the size of that in Thailand.

Four Japanese companies, Honda, Toyota, Mitsubishi and Isuzu have assembly plants in the Philippines. Proton, Philippines, the local arm of the Malaysian car company, is setting up an assembly plant north of Manila with a capacity of 50,000 vehicles a year.

easyJet Amsterdam advertisement. Includes text: 'Finance Director's Dream Ticket £35', 'Call 0990 29 29 29 anytime', and 'easyJet' logo.

POLSKI BANK ROZWOJU S.A. advertisement. Includes text: 'The Management Board of Polski Bank Rozwoju S.A. - Polish Development Bank in Warsaw, Poland hereby informs that pursuant to Art. 393 § 1 of the Commercial Code and § 29 of the Company's Charter it convenes the Extraordinary General Meeting of Shareholders to take place on 20 August 1996 at 13.00 in Warsaw at 5 Plac Trzech Krzyzy in the Conference Rooms 140 A and B (1st floor) of the Central Planning Office Building with the following Meeting Agenda: 1) Opening and appointment of the chairman; 2) Establishment of validity of the meeting; 3) Appointment of the returning (vote counting) committee; 4) Adoption of a resolution on the consolidated financial statements in respect of 1995; 5) Adoption of a resolution on changes to the bank's Charter; 6) Adoption of a resolution changing the resolution of the General Meeting of Shareholders no. 4 on bond issues from 22nd March, 1991; 7) Conclusion of the Meeting. Management Board Polski Bank Rozwoju S.A. Polish Development Bank'

For the benefit of those who... sales are jumping in Japan... for the past three years... over 100,000... market, one of the growing... worldwide, where we are... the supply to meet demand... Opel was Japan's No.1... brand in June. Thanks to...



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For the benefit of those whose Japanese may be less than fluent, our headline reads: "Opel sales are jumping in Japan." And they have been for the past three years. We've produced well over 100,000 Opel cars for this competitive market, one of the growing number of markets, worldwide, where we are constantly increasing the supply to meet demand.

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NEWS: UK

Deterioration in public finances adds to fears that inflation target will be missed
Central bank urges interest rate rise

By Robert Chote in London

Mr Kenneth Clarke, the chancellor, will have to raise interest rates and cut government borrowing if he is serious about hitting his inflation target, the Bank of England warned yesterday.

largely because the chancellor cut rates in June. The Bank is also worried by the deterioration in public finances revealed in the Treasury's summer forecast.

chief economist, said the question to be asked in the coming months was no longer whether interest rates should be raised, but when.

The Bank's warning raises the spectre of further disagreement over interest rates between the chancellor and Mr Eddia George, the governor of the Bank.

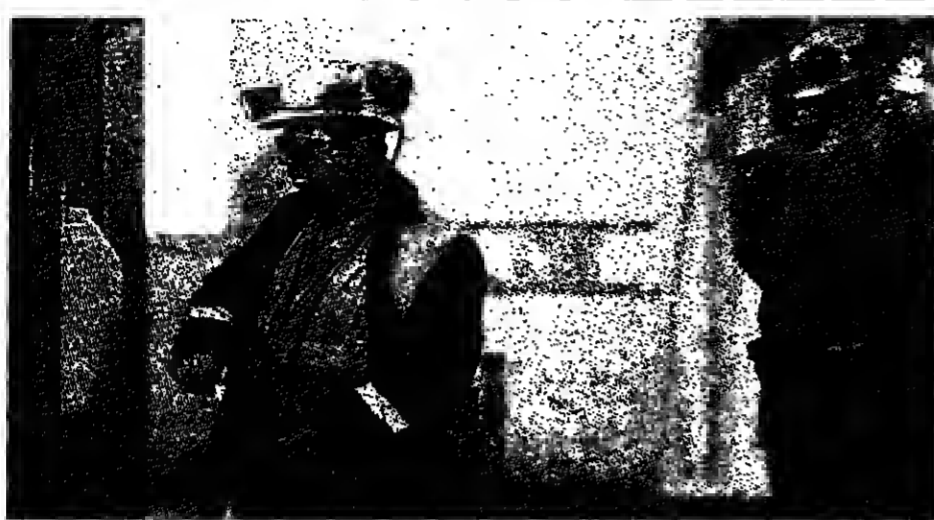
The Bank expects the underlying rate of inflation - which excludes mortgage interest payments - to fall from 2.5 per cent to 2.5 per cent or below later this year and 2.5 per cent in mid-1997.

Unions in fight to save last deep mine

By Kenneth Gooding, Mining Correspondent

Desperate efforts were being made by mining unions last night to save the last deep coal mine in north Wales.

RJB Mining, which acquired the mine from British Coal 19 months ago, said it had been approached by union representatives suggesting an employee buy-out of the Point of Ayr colliery near Talacre.



Miners at Point of Ayr Colliery clock off yesterday after RJB announced closure plans

sustained profit. However, it said that it would be willing to accept £1.2m (\$1.86m) for the mine and its equipment.

Last year Point of Ayr's output was 313,000 tonnes of coal and another 177,000 tonnes was produced in the first seven months of 1996.

In a move calculated to head off a confrontation between miners and local nationalist protestors, Sir Patrick Mayhew, the Northern Ireland secretary announced that a quarter-mile section of the historic walls would be closed off from 6pm last night until the end of the month, unless a compromise is found.

N Ireland city walls sealed to avoid trouble

By John Murray Brown in Dublin

The British government last night moved to head off serious sectarian unrest in Northern Ireland, sealing off a stretch of Londonderry's city walls which overlooks the Catholic Bogside area, where the Protestant Apprentice Boys plan to march on Saturday.

away, that is just not going to happen." The move follows a week of unsuccessful negotiations between the Apprentice Boys and The Bogside Residents' Association, chaired by local MP Mr John Hume, the SDLP leader.

My purpose in making this order is to assist the RUC [Northern Ireland's police force] in its task of preserving public order and protecting the community in the coming days and is not intended to favour any side in the current dispute," Sir Patrick said.

The entrance from the commercial area of the city to the Catholic Bogside area was sealed by RUC Land Rovers. Shortly before 6pm RUC officers armed with semi-automatic rifles arrived at the city wall.

Lloyd's in discipline overhaul

By Ralph Atkins, Insurance Correspondent

Lloyd's of London yesterday responded to complaints about its disciplinary procedures by announcing a wide-ranging revamp.

New measures include a "fixed penalty" system and a new disciplinary board chaired by an outsider.

offences at the market but have since left. The reforms follow criticism last year by the House of Commons' Treasury committee and were described by Lloyd's as "the most far-reaching overhaul since the 1982 Lloyd's Act."

Mr David Rowland, Lloyd's chairman, said: "We have been criticised in the past for the slowness of our disciplinary procedures. This new regime will be more comprehensive in its scope and swifter."

Yesterday's changes widen the number of offences which could lead to disciplinary proceedings. There will also be more scope for "out-of-court" settlements.

For less serious offences there will be summary proceedings based on written evidence and submission. In addition, there will be a "fixed penalty" system comparable to the system for motoring offences.

Landowners seek EU aid for grouse moors

By James Buxton in Edinburgh

Scottish landowners yesterday urged the European Union to give financial help to operators of grouse moors.

Because of several poor years for grouse, Scottish grouse moors lost an estimated £10.6m (\$16.53m) in 1994 (the latest date for which figures are available) on turnover of only £3m.

for grouse moors and other sporting estates to be made eligible for EU regional development grants. Ultimately such land should be brought under a restructured Common Agricultural Policy, the federation argues.

The federation has been pressing the UK government and the European Commission to bring forms of land use other than agriculture into the Cap. This would entail a switch from subsidising livestock and crops to giving support on the basis of the acreage under management, with the aim of rewarding "responsible land use" such as forestry and conducting sporting activities.

Car sales figures fuel optimism

By John Griffiths

Registrations of new cars jumped by 17 per cent year-on-year in July, further boosting hopes of a first time sales this year for the first time since 1990.

UK makers were, however, less pleased by import statistics published this week. Imports accounted for 84.4 per cent of the July market, up from 63.5 per cent, a year ago, and for 61.8 per cent in the first seven months (65.3 per cent).

The registration figures issued, however, conveyed more a mood of optimism than a significant contribution to sales figures. The July market is traditionally small because most buyers prefer to wait for August and the introduction of the annual registration prefix.

Table titled 'UK NEW CAR REGISTRATIONS JANUARY-JULY 1996'. It shows monthly and cumulative registrations for various car models like Ford, Vauxhall, Renault, etc. Columns include Volume, Change, and Share.

Dealers and carmakers were further encouraged by registrations to private buyers being some 30 per cent higher than a year ago. The trade is increasingly optimistic that returning consumer confidence will nudge August registrations close to 500,000.

Total registrations for the first seven months of the year reached 1,038,789 - a 5.8 per cent up on the same period last year. An extra incentive to buy in early August is being provided by price increase plans announced by some car makers.

British Gas is thought to be particularly keen to complete deals with some of its main suppliers, such as British Petroleum and Shell. British Gas claims that the high-priced life of field contracts are a legacy of the monopoly era, and put it at a severe disadvantage in Britain's new competitive gas market.

Small companies fight shy of corporate codes

Research by voting agency reveals serious breaches of Cadbury and Greenbury directives

Mr Ronald Pratt joined William Cook, the castings manufacturer, in 1949 and became a director in 1955. He now sits as one of two non-executive directors at the publicly quoted Sheffield-based company, the other being Mr Ian Porter.

Greenbury committee reports, the two main corporate governance rule books. However, research carried out during the recent agm season by Manifest, the new proxy voting agency, shows that William Cook is not alone. Several smaller public companies are failing to comply with even the basic elements of the Cadbury and Greenbury committee reports.

At William Cook, Mr Pratt's long association with the company leads Manifest to doubt whether it complies with Cadbury's recommendation that the majority of non-executives on a board should be "independent of management".

Cook's failure to set up an audit committee is a "blatant breach" of the Cadbury code, and the fact that its remuneration committee consists of the entire board rather than just non-executive directors is a breach of the Greenbury code.

The company's annual report says the Cadbury code is not mandatory and a responsible board should not "blindly follow rules which may be inappropriate and not of benefit to the company".

Mr Andrew Cook, chairman and chief executive, said yesterday: "Breach is an inappropriate word. There are a large number of smaller companies that do not see it as relevant to their businesses to comply lock stock and barrel [with

UK NEWS DIGEST

Electricity rules tightened

The electricity regulator yesterday revealed plans to take sweeping new powers to ensure that electricity companies do not hold up the proposed liberalisation of the consumer market in 1998.

Professor Stephen Littlechild was reacting to claims that some power companies may deliberately be trying to delay arrangements for April 1998 in the hope of postponing the advent of full-blown competition.

He was also responding to criticism from electricity companies that he has so far failed to give the industry the necessary leadership in preparing for 1998.

Mr Littlechild's proposed measures are contained in the draft licences and codes for the industry which he published yesterday after weeks of consultation based on previous drafts published in April. Stefan Wasstyl, London

ETHNIC MINORITIES British society 'is diversifying'

If you were a 22-year-old woman of Bangladeshi origin living in Britain you would probably be married already, but if you were of Caribbean descent you would almost certainly not. Either way, the odds are you would both be gazing enviously from your council house at the family of Indian origin across the road doing up their newly purchased house.

If you were black, you should also consider putting an extra lock on the door before you leave because it would be twice as likely your residence would be burgled before you returned. Vehicle theft is less of a problem, because unlike most whites, and those of Asian and Chinese origin, you would probably not own a car.

The report, published yesterday by the Office of National Statistics makes clear that minorities are increasing not only in size but also diversity as they become a more integral part of British society. Britain currently has 3.2m inhabitants from ethnic minorities. Marks Suzman, London

RAIL PRIVATISATION French set for second franchise

CGEA, a subsidiary of France's Compagnie Generale des Eaux conglomerate, is set to win its second franchise to operate a British train operating company after emerging as the preferred bidder for the South Eastern franchise.

South Eastern, which operates services to Kent, Surrey and Sussex from six large London stations, is one of the biggest operating companies to be franchised so far from the former state-owned British Rail and takes to nine the number of franchises awarded. South Eastern employs more than 4,000 staff and had passenger revenues of £215 million in 1994-95. The likely award gives CGEA two contiguous franchises serving London and the south-east, although the rules state that they must be run separately.

Each day's disruption is estimated to be costing London Underground alone £2.5m (\$3.9m). Robert Taylor, London

TUBE STRIKE 'Capital's reputation damaged'

Yesterday's 24-hour Tube strike brought almost a total shutdown of the underground system and heavy traffic congestion to London.

With no sign of any progress in resolving the Tube dispute, Mr Brian Mawhinney, the Conservative party chairman, said the drivers were "trying to hold London to ransom" but he added they would not succeed. He warned they were also damaging London's reputation as an international finance, business and tourist centre. The next 24-hour stoppage on London Tubes is scheduled for next Tuesday, August 13.

LONG-TERM CARE Government plans 'alarmist'

A parliamentary committee yesterday dismissed talk of a crisis in long-term care funding as "alarmist" and attacked government proposals to develop partnership schemes in long-term care insurance for not being properly costed.

The findings are a blow to the government, which has announced plans to introduce insurance schemes allowing individuals to protect a portion of their assets if they take out insurance. Mark Suzman, London

GUERNSEY Queen may be court defendant

Guernsey's Royal Court will decide on Friday whether Queen Elizabeth can become a defendant in an action brought by Britain's wealthiest twins, Mr David and Mr Frederick Barclay.

The brothers, former painters and decorators whose personal fortune is now estimated to be at least £60m, have just moved into their new home - a Gothic-style castle on the tiny Channel Island of Sark. In a complex case concerning land ownership, the brothers are questioning the payment of feudal dues to the Queen for the purchase of the castle. Phillip Jeanne, Jersey

GAS Progress on 'take-or-pay' dispute

The first signs of progress are appearing in the bitter, \$40m "take-or-pay" contract battle between British Gas and some of the largest North Sea oil and gas producers. One big producer yesterday characterised the latest round of talks as "encouraging," and said that contacts between the two sides were being stepped up. But he denied that a deal had already been done.

British Gas is thought to be particularly keen to complete deals with some of its main suppliers, such as British Petroleum and Shell. British Gas claims that the high-priced life of field contracts are a legacy of the monopoly era, and put it at a severe disadvantage in Britain's new competitive gas market. Robert Corzine, London

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Advertisement for MARGINED CURRENCY DEALING, featuring contact information for Laurion in London, Edinburgh, and other cities.

Handwritten text in Arabic script: صكوك من الاصل

Large vertical advertisement on the right edge of the page, including 'Apocal', 'INTERNATIONAL ARTS GUIDE', and 'AMSTERDAM'.

COMMENT & ANALYSIS



Peter Martin

Good relationship guide

Companies working to establish lasting rapport with their customers beyond simple transactions need to follow basic rules which reinforce quality

Mature marketing executives, successful but dissatisfied, seek attractive consumer, footloose and fancy free. Object: lasting relationship.

You won't find this message in the lonely hearts column of your local free-sheet, but it's hard to miss it pretty much everywhere else. From baked beans to supermarkets to airlines, consumer-oriented companies have devoted much of the past decade to "relationship marketing", the attempt to build links with their customers which extend beyond simple transactions.

Some of these efforts - especially the earliest airline frequent flyer clubs - have been stunningly successful. Others have added more to costs than they have to revenues. What all these mature marketing executives hope for is the magic ingredient that distinguishes real commitment from just, well, fooling around.

As soon as a company moves its product beyond the commodity stage, of course, it has taken the first step towards building a relationship with its customers. Quality, value, attentive service - all these are traditional ways of encouraging repeat business. And the whole point of branding - ever since Bass first slapped a triangle on its bottles to create the UK's first registered trademark - has been to build lasting trust in the consumer's mind. What's different now? Just as Stalin defined communism as socialism plus electrification, so relationship marketing is branding plus computerised databases. Not only do your customers trust you, but you know who they are and where they live. Straight away, you can lower the costs of advertising and increase its effectiveness. But there's more: you can offer them promotions tailored to their past buying

patterns. And, most effective of all, you can redesign the product or service you offer to reward loyalty, as supermarket chains such as Tesco in Britain and Carrefour in France have shown.

But has the fad gone too far? Companies rarely admit to all-out failure in relationship marketing, and once started such schemes are hard to cancel. The rub of me-too loyalty schemes - among US telecoms operators, international airlines, or British supermarket chains - suggests, however, that some companies are paying out more to build relationships than they will ever get back in sales.

Companies thinking of trying to establish relationships need to bear in mind some simple rules.

● **Raise consumers' cost of switching.** Relationship marketing is not just about giving consumers a warm glow about your company and products. It has a more cold-blooded rationale: to make it harder for customers to choose freely between suppliers. Frequent flyer clubs achieve this aim because the miles awarded are not transferable. Passengers are unwilling to switch

their preferred airlines if that means sacrificing unused miles. Similarly, pharmaceutical wholesalers lock in drugstores as customers by providing valuable computer software. The cost of adapting to new software discourages the customers from switching.

A well-designed relationship marketing programme will seek to raise consumers' switching costs. And there's an extra bonus: any warm and fuzzy feelings the programme induces serve to camouflage the limitations on consumer choice that these higher switching costs impose.

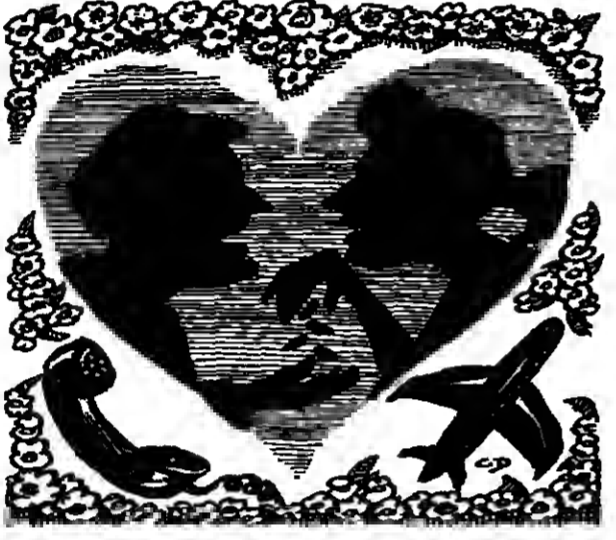
● **Emphasise service.** It's not surprising that the most successful relationship programmes are in service businesses. Services tend, by nature, to be less "transactional" than manufactured goods. And many services require detailed knowledge by the provider of the circumstances of the customer. But even service businesses can improve the personalisation of their offerings, and suppliers of manufactured goods can add a service component, for example by guiding customers through a complex

product range. The UK subsidiary of Helix is seeking to build lasting relationships with baked beans consumers, by offering them a quarterly magazine and tailored promotions.

One category of manufactured goods producers, computer makers, has found that service-based relationships have turned into transactions as their products have become more reliable and standardised. IBM built much of its success - even when its main line of business was tabulating machines, not computers - on exemplary service for complex, finicky machinery. Now that computers are reliable, off-the-shelf products, it is much easier for customers to choose on price. The more reliable a product, curiously, the lower the relationship potential.

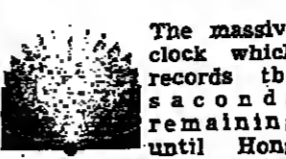
● **Don't confuse loyalty, necessity and bribery.** This point is made by James Rosenfield, a marketing consultant based in San Diego, California. Companies may think they have loyal customers, when really they have resentful captives - or mercenaries. If there is no hope of building true loyalty, then there is little point in trying, expensively, to reinforce it. It would be better to reinforce barriers to entry against rivals (for example, by lowering costs). Similarly, as Mr Rosenfield puts it, relationship programmes that rely heavily on incentives risk "substituting rewards for satisfaction." Dissatisfied customers will soon find someone else to bribe them.

By the way, dissatisfaction is almost guaranteed if the benefits you promise to loyal customers can't be provided. Getting the marketing database to work smoothly with the operations database is often the key to success with loyalty programmes - yet it is also one of the hardest things to achieve.



BOOK REVIEW Peter Montagnon
HONG KONG - CHINA'S CHALLENGE: by Michael Yahuda
Routledge, 150pp, £37.50 (hardback) £11.50 (paperback)

China's countdown to the midnight hour



The massive clock which records the seconds remaining until Hong Kong reverts to China has become a familiar landmark in Beijing's Tiananmen Square since it was installed at the height of the controversy over the democracy proposals of Hong Kong governor Chris Patten in 1994.

Most visitors probably think of its remorseless flashing as a warning to Hong Kong of its inexorable fate, but, according to Michael Yahuda, the clock is ticking for China too.

The handover constitutes an awesome and ill-timed challenge to the mainland, he argues. It comes as China struggles to shed its authoritarian and inward-looking continental traditions and become a liberal, outward-looking maritime nation.

Hong Kong encapsulates the tensions involved, and every well-prepared deal with them. The territory's business people who rather glibly assume that Chinese money politics will see them all right after 1997 should read this book carefully.

So, too, should those in China who will be responsible for what happens after the handover. The advice it contains may be unpalatable but it is given with sympathetic understanding of the dilemma China faces.

Failure to make the "one country, two systems" principle work in Hong Kong would mean a loss of faith at home in the Chinese government's ability to continue delivering economic reform. With its authority and legitimacy weakened as a result, government would become more conservative and its relations with the outside world more truculent.

force being used to recover Taiwan. A flourishing Hong Kong could pose problems of a different sort. Its mere example would make it a subversive force, undermining the authority of the Communist party at home. Hong Kong would become an attractive example to mainlanders wishing to emulate its way of life, its local autonomy and freedom under the law.

Beijing wants to make the transition succeed, Yahuda suggests, but the odds are stacked against it. The handover negotiations have been dogged by misunderstandings and bickerings. In the Tiananmen Square massacre in 1989, "What happens if the judges get it wrong?" asked one Chinese official in the midst of the debate over the territory's court of final appeal. By tradition, China's rulers have never left really important decisions to a bunch of independent judges. Yet without the clear rule of law which such judges provide, Hong Kong could scarcely flourish.

Part of the problem is that there has been no major bureaucracy at the heart of China's government concerned with Hong Kong's affairs, and no institutionalised route through which Hong Kong matters can be brought to the attention of senior leaders.

That may change after 1997. The new Hong Kong chief executive, Yahuda assumes, will have a senior political adviser, appointed by Beijing, who will have access to the very top.

But there are risks. The Basic Law, which will in effect be Hong Kong's constitution after 1997, is vaguely worded and will allow central government considerable control over Hong Kong's internal affairs.

A fundamental misconception in the business community is that China's basic

interest is to guarantee continuity in Hong Kong because of its great economic importance. Mindful of the chaos following the collapse of the communist Soviet Union, the Chinese authorities have developed an emphasis on sovereignty and national unification which overrides the business argument, Yahuda says.

China will monitor Hong Kong closely to ensure that its understanding of sovereignty is not breached. It is unlikely to leave well alone. That leads to China's plan to abolish the Legislative Council elected under Mr Patten's reforms and bar some democrats from political office, despite their popularity.

Such a draconian step is scarcely compatible with the rule of law. The more the provisional LegCo appointed by China differs from that elected in 1995, the less legitimacy it will have. China must have a system that is seen to be legitimate if the rule of law is to have credibility.

"The key to evading a dangerous, not to say catastrophic, constitutional crisis towards the end of the transitional period may well be whether an accommodation can be reached between the Democratic Party and the Chinese authorities," Yahuda concludes.

The pressure of the approaching deadline with all its implications for China as a whole might well prompt such a reconciliation, he suggests. In that case there are real reasons to be optimistic about the future of Hong Kong.

It is hard to disagree with the analysis. But the prescription looks bold indeed.

Hong Kong - China's Challenge is available from FT Bookshop by ringing Free-Call (0800 418 419) (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK.

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LETTERS TO THE EDITOR

A good move by Dole on tax

From Mr Gregory M. Davis, National Review, 150 East 38th Street, New York, NY 10016, US

Sir, I was dismayed by your editorial re Bob Dole's tax plan ("Doleful plan for US taxes", August 6). You rightfully criticise the present political atmosphere as disgracefully negligent in its unwillingness to confront burgeoning entitlements. However, your comment that the 1996 "supply-side experiment" was "disastrous" betrays your otherwise impressive wisdom.

There is no question that the 1980s saw record deficits, but it is the greatest fiction of the modern press that this was the result of President Reagan's tax cuts. In fact, federal tax revenues grew by 24 per cent from 1982 to 1988, in contrast to the roughly 16 per cent increase in the seven years since 1990. Reagan's failure lay in his neglect of entitlement programmes which grew at unprecedented speeds. In short, since 1980, two tax increases have been legislated, federal revenues have declined as a portion of gross

domestic product, and economic growth has slowed. Any plan to reduce the deficit cannot succeed without sustained growth and an overhaul of entitlement spending. Government policy cannot ensure a healthy economy, but it can give one a chance. Dole's proposal is a small step in the right direction.

Allow Serbs vote in Mostar elections

From Mr Alexander P. Vučićić, South Salem, NY 10690, US

Sir, Your otherwise fine series of stories on the Mostar elections distort the situation by omitting critical information. About 24,000 Serbs were expelled from Mostar at the beginning of the war. A few thousand vanished in that exodus, but that is another story.

There are 17,000 Serbian survivors who would like to return to their city. These Serbs were not allowed to vote in the June 30 Mostar elections. The perfunctory offer of a few buses to bring 500 refugee voters in from Serbia for the day humiliated moderate Serbs who wish to support the peaceful evolution of Bosnia.

The elections in Mostar are flawed, not because the Croats refuse to recognise a Muslim majority on the city council. They are flawed because these elections validate the expulsion of Mostar's Serbian population and deny upwards of 20 per cent of it the right to vote.

Economic plant and levy answer to tyre recycling problem

From Mr Herbert Beven, Chairman, Beven Recycling (UK), Building 303, Currie Avenue, Harwell Laboratory, Oxfordshire OX11 0RA, UK

Sir, I was fascinated to read the articles by Andrew Baxter and Chris Tighe on your Business and the Environment page ("Wheels turned into reverse", July 24). There are to our knowledge about 200 ideas that only need a few million pounds, dollars or something to get them to solve the tyre problem and make their investors instant millionaires.

I have to tell them it isn't quite like that. You get a good idea. You put about £2m of your own and your colleague's money into the project. You find an organisation with experts in all the chemical and mechanical disciplines required, in our case the Atomic Energy Authority. Then you spend five or six years on the necessary research and development of a full-size plant.

At that point you are again told by the doubters and talkers that recycling tyres can NOT be economic. What is economic? I would ask somebody what waste is "economically" disposed of. Domestic waste is not, hospital waste is not, toxic waste is not. Why should tyres be any different?

Diet factor in sporting prowess

From Dr James Witchalls, Little Bookham Street, Surrey KT23 3BU, UK

Sir, The UK's poor performance at Atlanta is rightly being questioned. A lack of investment in excellent sporting facilities and support for our young athletes is obvious and needs correcting. But there is more to it than that.

Our French cousins are reaping the fruits of such investment but they also thrive on a quality of diet unusual in Britain. This fact must surely contribute to the strength and vitality of their budding athletes. Chips, burgers, soft drinks and a tonnage of confectionery second to none in the world may be the stuff of champion couch potatoes but not athletes!

By all means provide better facilities but this alone will not suffice. We must also do better in ensuring a higher quality of diet for our children than at present. Cultivating health has always been more fruitful than treating symptoms of disease.

FINANCIAL TIMES August 8
A message from Ma...
Handling...
Clarke's

صوتنا من الامم

LEGAL DEFINITIONS

Infringe: 1. In a fashionably combed forward (see Bravely) 2. Rugby Football obstruct someone accidentally on purpose 3. To break a law or a right. see how a new asap (ph 0171-248 4282)

Roy & Noye LAWYERS FOR BUSINESS

On-board electronics will access the Internet IBM, Mercedes in deal to develop car systems

By John Griffiths

International Business Machines, the world's largest computer group, and Mercedes-Benz of Germany are collaborating to develop vehicle electronics networks that will manage mechanical functions and provide access to the Internet.

The companies said the integrated electronics for trucks and cars would use network computing concepts to access the Internet, satellite navigation systems, traffic and other data to be provided by future "intelligent" information highways and even e-mail and fax transfers.

The same electronics networks would simultaneously be capable of controlling engine functions, transmission, lighting and most other operations within the vehicle, Mercedes-Benz said yesterday.

The partners claim that the electronics networks will lead to significant time and cost savings in the design, development and production of new cars by using standardised hardware which would not require changing through successive model generations.

Although existing automotive electronics can perform these tasks individually or in groups, the IBM-Mercedes partnership will create an integrated control system, comprising modules with standardised interfaces that can be configured quickly and cheaply for a broad spread of applications.

"As a result Mercedes-Benz will not have to develop a new electronic systems for each new automotive model. Instead, we shall be able to reuse components from model to model, reducing costs and speeding the design and manufacturing process", said a spokesman. Although Mercedes-Benz will be the initial beneficiary of the project, both the German car maker and IBM expect the systems to be widely adopted by other vehicle makers.

The collaboration, the first involving automotive components between the two groups, has been under discussion for months, with agreement reached at a meeting between Mr Helmut Werner, Mercedes' chairman, and Mr Louis Gerstner, IBM's chairman and chief executive, during the Olympic Games in Atlanta.

Existing component suppliers to both companies - including Robert Bosch and Siemens in the case of Mercedes-Benz - are expected to be involved with the development programme. The first cars featuring the jointly developed technology are unlikely to appear until early in the next century. The project will be based in southern Germany, where both Mercedes and IBM have research and development facilities.

Germany in barbecue campaign to lure beef defectors

By Judy Dempsey in Bonn

German farmers will today resort to a new tactic in attempts to convince the country's consumers that beef is safe - holding barbecues. At 50 parties, farmers will bring their own produce to be barbecued, and local people, for a "nominal" fee, will be encouraged to talk about meat and savour the steaks.

The campaign will open in the north-western resort of St Peter-Ording in Schleswig-Holstein, near Husum, where farmers last week burned the UK flag in protest against the continuing controversy over BSE, or mad cow disease.

The get-togethers, each to cost about DM5,000 (\$3,378), are being organised by Germany's Farmers' Association (DBV) and the Central Marketing Board of the agricultural industry (CMA). They are reacting to the sharp fall in beef consumption - highlighted again yesterday by the release of a study by the respected Allendörfer opinion poll institute.

It found more than half the population had changed eating habits since March when the BSE crisis began, with 15 per cent of Germans refusing to eat beef and 38 per cent eating far less.

More worrying is that women, who tend to make the shopping and cooking choices, have deserted beef in greater numbers than men. More than 58 per cent of women have changed their eating habits compared with 47 per cent of men, and 47 per cent of women refuse to eat beef compared with 18 per cent of men.

"The Germans want to know where the beef is coming from," said Mr Bernhard Lütke Entrop, a DBV spokesman. "Maybe when they see it is locally produced, they will be convinced German beef is not only safe but also delicious."

Since March, beef farmers have been receiving between DM290 and DM390 less than before for each animal slaughtered; they hope an increase in consumer demand will lead to a recovery in prices. "We really are hoping this will be one of the ways to win back the consumer," said Mr Manfred Hauser of the CMA.

Brazil plans to bail out debt-laden state banks

By Jonathan Wheatley in São Paulo

Brazil yesterday unveiled a plan to restructure the country's debt-burdened state banks in a move seen as part of an assault on mounting public debt.

The initiative, in the form of a presidential decree, could end an impasse over the future of Banesp, the São Paulo state bank, which has advanced about \$18bn in now doubtful loans to the state government, its controlling shareholder. Other state-controlled banks have had loans of up to \$3bn each.

The decree allows the federal Treasury to provide funds to help Brazil's 27 state governments privatise their banks, or liquidate them, transform them into development agencies or merge them with other banks. It also allows the Treasury to take over debts owed by state governments to their banks and, in some cases, provide other

financing to save the banks from closure.

Mr Pedro Malan, finance minister, said the move would eliminate "a source of pressure" on the country's finances by reducing the presence of state governments in the banking industry.

A finance ministry spokesman said it was not possible to estimate how much money the Treasury would spend on the programme as this would depend on individual requests for assistance from state governments. The Treasury would finance the programme by issuing bonds and passing the funds raised to state governments; the cost of the programme would be limited to capitalisation costs.

The ministry stressed that while the new measures would increase the level of federal debt, they would cut total public debt by helping to end past practices by which state governments borrowed indiscriminately from their banks. The banks were often used

by their controllers to finance lavish public spending programmes. Their financial problems increased with the introduction of a stable currency in July 1994, which cut easy earnings from high inflation.

Mr Malan said the initiative was part of wider efforts to cut public debt by privatising state assets. Several state governments have begun privatising management of highways and other services - São Paulo state is preparing to sell electricity assets worth an estimated \$20bn.

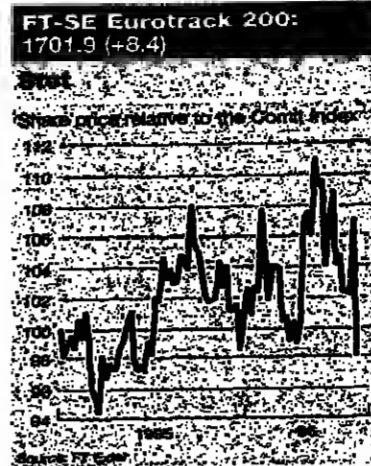
São Paulo reached an agreement with the finance ministry last year under which the federal Treasury would assume half its debt with Banesp in exchange for assets including railways and airports. Since the agreement was reached, however, unpaid interest has increased the state's debt from \$15bn to \$18bn.

Mexico counts the cost of sell-offs, Page 15

THE LEX COLUMN

Stet's wrong number

The good news is that the Italian government has ended years of procrastination over selling its Stet stake. The bad news is that it has wasted the opportunity to alter the telecoms group's convoluted structure before the sale. No wonder Stet's shares fell 4 per cent yesterday. After all, the government did not even mention the possibility of merging Stet with its Telecom Italia subsidiary, which would have stripped out substantial costs and reduced Stet's 35 per cent discount to net asset value.



Still, the impudence of the government's proposals was hardly surprising. And at least, by setting a timetable for selling Stet's publishing business, the government should be able to create sufficient momentum to overcome resistance to throwing out other peripheral assets such as telecoms manufacturing before selling the state's 64 per cent stake. This will undoubtedly create shareholder value - a highly desirable precedent.

However, probably the greatest concern for potential investors in next year's £1.6,000m (\$10bn) Stet share sale, is the government's intention to form a nuncio duro, or hard core of shareholders, for Stet. This rekindles memories of the Banca Commerciale Italiana and Credito Italiano privatisations. Milanese merchant bank Mediobanca and its allies took control of both banks and minority shareholders have had a horrible ride ever since. And guess what? Mediobanca happens to be a key adviser on the Stet sale.

warning that, although it will keep its cost-income ratio falling, it plans to spend more money expanding its business. In mature banking markets like the UK, such a single-minded investor focus on cost-cutting is fundamentally different; it enjoys a remarkable franchise in fast-growing markets. Frankly, if new investment can yield anything like Standard's current 28 per cent post-tax return on equity, the more it invests the better.

GKN

Two years ago sluggish automotive markets would have stopped GKN in its tracks. But the timely purchase of Westland, the helicopter maker, and the rapid development of its Chep pallet hire business have transformed the group. As a result, first-half earnings grew 16 per cent at a time when car production was flat in Europe and falling in the US.

Prospects look promising. Deliveries of armoured cars and helicopters will accelerate in the second half and Westland has a \$4bn order book stretching to 2008, even excluding lucrative support work. Chep is growing at 15-20 per cent a year and faces no serious competition. There is a huge opportunity to expand geographically and into new products such as plastic crates which could replace cardboard boxes and polystyrene packaging.

Even the automotive division has potential in the US to improve margins - probably half the 9 per cent the group manages in Europe - and to move into areas such as pressings and fabrications. Those opportunities, particularly capital-intensive

Standard Chartered

Standard Chartered's recovery has been spectacular, in 18 months the shares have outperformed the market by more than 100 per cent. And there was nothing in yesterday's interim results to suggest this is overdone; a trumping 31 per cent increase in trading profits is respectable by any standards. Why, then, did the shares fall 2 per cent?

Doubtless profit-taking is one reason. But if investors want to take profits, it is partly because they take too little Englander a view of this stock. Compared with UK banks - with which Standard has nothing other than an address in common - a price/earnings multiple of 12 times this year's earnings may look racy. But by the standards of Asian banks it is anything but. Moreover, UK investors seem to have been unnerfed by Standard's

Chep, will swallow a good part of GKN's £252m of net funds. But, given strong cash generation, the group will have the firepower to take part in any restructuring of the European defence industry or buy out Brambles, its joint venture partner in Chep, if the opportunity arises. The shares stand at a slight price/earnings premium to the market average, having doubled in the past two years. Today's less cyclical GKN can easily sustain such a rating.

UK inflation

Here is an intriguing fact: according to the Bank of England, inflation expectations implied by three-, five- and 10-year gilt prices have fallen since the chancellor controversially cut interest rates in June. Still, Mr Kenneth Clarke would be unwise to conclude that investors share his cheerful confidence that inflation is under control. Rather the debate has moved on. Few doubt that this chancellor is playing politics with the economy; the real question is how decisively the next government will move to clear up the mess. And if gilts are anything to go by, investors' scepticism on this score is gradually diminishing.

Even so, it would be unwise to underestimate the scale of the task the next government will face. It could still be the best part of a year until the next election - plenty of time for the current boomlet in domestic demand to gather pace. And whatever the Bank may hope, the odds must be on further loosening of both fiscal and monetary policy in the meantime. While the Bank is doubtless right, therefore, that a small precautionary interest rate rise now would be a good idea, its warning that a bigger rise will otherwise be needed later is more to the point. So is its well-founded worry that fiscal policy will have to be tightened too.

Of course, if the argument between the chancellor and the Bank boiled down to a matter of a quarter-point on rates, it would not matter too much. The real debate - whether the current objective of policy should be to stoke up or to cool off the strength of consumer demand - is more fundamental. Worse, the friction looks set to grow, either because the chancellor cuts rates or taxes further, or because evidence of a boomlet blossoms. For gilts, such growing tension looks an unenvying prospect.

France proposes substantial cuts in public spending

Continued from Page 1

August holiday, during which confidential objectives were set for expenditure levels in each of the different ministries for 1997. More detailed information on the budget will be circulated during September.

The Maitignon said that, in spite of the cuts, the government was committed to ensuring that priority would remain on areas of spending that helped employment, the most disadvantaged and a restructuring of the education, defence and justice systems.

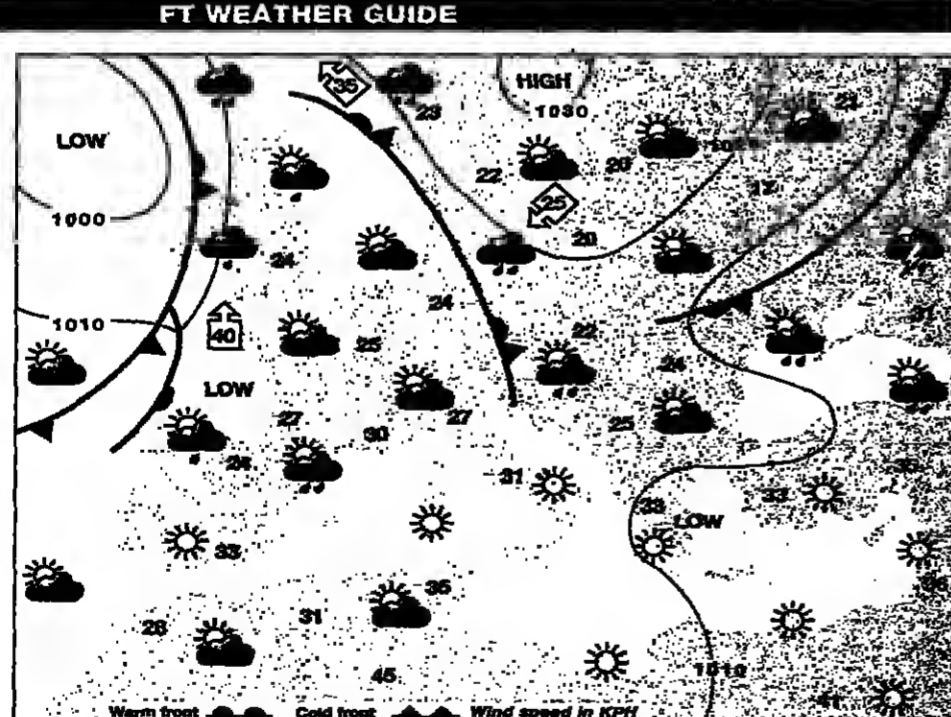
Mr Alain Lamassoure, the budget minister and government spokesman, said the reductions would entail a reduction of 6,500-7,000 public sector workers, largely through not replacing those who retired. The prospects of such cuts

have raised fears that social unrest could be triggered in the autumn, notably in the school and university system which is likely to be hit. The socialist opposition said the new budget would hurt growth and increase unemployment.

Europe today

Sunny periods are expected in the Benelux, France and northern Spain. Rain is likely near a frontal zone from southern Scandinavia to Austria. Switzerland will be rather cloudy. Spain will be sunny although there will be some showers in the north. Italy, Greece and Turkey will have a lot of sun but showers are likely in the Balkans. Showers will occur around the Black Sea. Russia will be partly cloudy. Scandinavia will be fair with abundant sun over Norway and some cloud over Sweden and Finland.

Five-day forecast More cloud and rain will approach the British Isles and western Europe. This band of rain will move east towards Poland during the weekend. High pressure over Scandinavia will expand towards Russia. Southern Europe and northern Africa will stay sunny.



TODAY'S TEMPERATURES

Table listing temperatures for various cities: Abu Dhabi, Accra, Algiers, Amsterdam, Athens, Atlanta, St. Altes, B. Ham, Bangkok, Barcelona, Beijing, Belfast, Belgrade, Berlin, Bogota, Bombay, Brussels, Budapest, Cheong, Cairo, Cape Town, Caracas, Cardiff, Casablanca, Chicago, Cologne, Dakar, Dallas, Delhi, Dubai, Dubrovnik, Edinburgh, Faro, Frankfurt, Geneva, Gibraltar, Glasgow, Hamburg, Helsinki, Hong Kong, Istanbul, Jakarta, Jersey, Karachi, Kuwait, L. Angeles, Las Palmas, Lima, Lisbon, London, Luxembourg, Madeira, Madrid, Manila, Mexico City, Miami, Milan, Montreal, Moscow, Nairobi, Naples, Nassau, New York, Nice, Nicosia, Oslo, Paris, Perth, Prague, Rangoon, Rome, Seoul, Singapore, Stockholm, S. Francisco, Sydney, Taipei, Tel Aviv, Tokyo, Toronto, Vancouver, Venice, Vienna, Warsaw, Washington, Wellington, Zurich.

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FINANCIAL TIMES COMPANIES & MARKETS

Darome Pick up the phone... not more expenses!

IN BRIEF Christiania falls at operating level

First-half operating profits fell sharply to Nkr1.1bn (\$178m) from Nkr1.82bn at Christiania Bank, Norway's second largest banking group...

Stora upbeat despite falling profits Stora, the Swedish forestry products group, held out the prospect of an end to the slump in the sector...

YPF beats forecasts in second quarter Higher crude oil prices and an improved performance by its Mexico subsidiary helped YPF...

CU considers E Europe expansion Commercial Union, the UK composite insurer, is considering expansion into Russia and the Czech Republic...

Eurotherm reinstates ousted chief Eurotherm, the UK industrial controls manufacturer, bowed to pressure from institutional shareholders...

Companies in this issue: AMP Society, AP-Rad, Abbey National, Adidas, Alkora, Alcoa, Arcadis, BHP, Barmax, Bancorner, Banepa, British Coal, British Gas, COGEA, Cathay Pacific, Christiania Bank, Chrysler, Coca-Cola Amatil, Colly Farms, Columbia/HCA, Commercial Union, De Rigo, Dresdner Bank, EDF, Eurotherm, Farway Resources, Fiat, Ford, Fuller Smith & Turner, GKN, GM, Goodman Fielder, Hays, Honda, Hoogovens

Market Statistics: Annual reports service, Bond futures and options, Bond prices and yields, Commodity prices, Dividends announced, EMS currency rates, Eurobond prices, Fixed interest indices, FTSE-A World Index, FTSE-A World Index, FTSE-A World Index, FTSE-A World Index

Chief price changes yesterday: MANUFACTURING (Q2), Chemicals, Detergents, Glass, Paper, Plastics, Textiles, Pharmaceuticals, Chemicals, Detergents, Glass, Paper, Plastics, Textiles, Pharmaceuticals

Dresdner rises 44% in first half

German bank lifted by securities arm and first-time contribution from Kleinwort Benson

Dresdner Bank of Germany raised operating profits 44 per cent to DM1.42bn (\$666m) in the first half of 1996 with the help of buoyant securities business and a strong first-time contribution from Kleinwort Benson...

about German banking mergers, he said it was hard to imagine takeovers by the country's big banks. Allianz, the insurer which owns about 20 per cent of both Dresdner and the smaller Bayerische Hypotheken- und Wechsel-Bank...

Net interest income rose 8 per cent to DM3.4bn, with commission profits 46 per cent higher at DM1.9bn, helped by strong securities and mutual fund business. The integration of Kleinwort Benson accounted for more than half the commission increase.

Mr Sarrazin said Kleinwort Benson's first-half operating profits were about the same as in the whole of 1995. Its pre-tax return on equity was 20 per cent, the same as that of the whole Dresdner Bank group...

from dealings in securities, DM62m from foreign exchange and precious metals and DM190m from derivatives. The Kleinwort Benson acquisition also pushed up costs by 16 per cent to DM4bn...

Standard Chartered surpasses forecasts

Standard Chartered, the London-based international bank, capped a season of glittering bank interim results yesterday with a stronger than expected increase in pre-tax profits to \$448m (\$694m) in the six months to June 30...

Cathay Pacific lifted by shake-up

Cathay Pacific Airways, the Hong Kong-based carrier, yesterday announced net profits of HK\$1.65bn (US\$214m) for the first six months of the year - a rise of 67 per cent over the 1995 performance...

Adidas weighs in with 56% leap



Field day: shot put gold medal winner Astrid Kumbernuss from Germany (left) and women's 200m Olympic champion Marie-José Perec (far right) of France, two of the 6,000 athletes Adidas says wore its clothing in Atlanta

Adidas yesterday reported a 56.3 per cent increase in pre-tax profits to DM249m (\$167m) for the first half of the year, underlining the German sports goods manufacturer's robust recovery from its financial difficulties in the early 1990s...

lower at DM124.60. At this level, the shares are trading at almost twice the price offered to shareholders when the company was floated in the autumn of last year.

Net earnings per share increased from DM2.89 to DM4.06. Mr Louis-Dreyfus said the company's mid-year order level was 34 per cent higher than in 1995.

Mr Williamsson said the current rate of growth in mortgage lending - up 26 per cent in the first half - was unlikely to be kept up, but there was no reason why the bank could not maintain its high growth rates in other segments of the personal banking market.

UK engineering group hints at acquisition drive

The incoming chief executive of GKN, one of Britain's largest engineering groups, yesterday hinted at a more aggressive acquisition strategy following strong growth in the company's cash performance.

Mr CK Chow, headhunted earlier this year from BOC, the industrial gases company, suggested that GKN's balance sheet was strong enough to sustain a heavier investment programme at the automotive components, industrial services and defence equipment group.

Overall, turnover in the first six months climbed 7 per cent to HK\$15.22bn. Earnings per share rose to 56.2 cents, from 34.3 cents in the corresponding period. Excluding share options, earnings per share rose 9.9 per cent to 37.7 cents. The interim dividend was raised by 4.3 per cent to 11.5 cents.

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COMPANIES AND FINANCE: ASIA-PACIFIC/THE AMERICAS

Indosat growth slows to 6.4% in first half

By Manuela Saragosa in Jakarta

Growth in net profit at Indosat, the Indonesian state-controlled international telecommunications company, slowed to 6.4 per cent in the first six months of this year.

Analysts said the low growth was caused largely by a slowdown in the expansion of revenues from international calls. In the same period in 1995, net profit rose 73 per cent. Much of last year's growth came from interest income, which has been declining as the company has increased capital expenditure.

Net profit in the first half of 1996 rose from Rp220.9bn to Rp236.1bn (\$100.4m). Operating profit rose 15.4 per cent from Rp242.6bn to Rp279.9bn.

Revenues from international calls in the first half increased by 14 per cent from Rp467.5bn to Rp632bn, compared with growth of 17 per cent in the first six months of 1995.

Analysts said slowing expansion in revenue from the company's core business was caused by a trend for international telecoms companies worldwide to cut their call tariffs.

Mr Tjahjono Soerjodibroto, Indosat's president-director, said he was "confident" that performance would not be significantly affected by the declining trend in international call charges and increasing competition.

NEWS DIGEST

Coca-Cola Amatil up 26% at midway

Coca-Cola Amatil, the Australia-based soft drinks group with bottling interests spanning Australasia, Asia-Pacific and eastern Europe, yesterday announced an after-tax profit of A\$58.9m (US\$45.7m) for the six months ended June 30. This compared with A\$44.7m in the same period of the previous year, a rise of 26.1 per cent, and was scored on a slightly larger 32.5 per cent increase in sales, at A\$1.79bn. However, earnings per share rose more modestly, from an adjusted 11.3 cents to 11.7 cents.

CCA said the profit was struck after A\$7.8m of retirement and redundancy expenses, mainly among senior management, but it also enjoyed an A\$8.9m boost as part of a damages award won in legal proceedings against New Zealand's Lion Nathan.

On the trading front, the company said the results had been "solid", in spite of particularly poor weather in some regions and strong competition. Australia, which remains the company's largest single market, saw an 8 per cent increase in sales volume, a 10 per cent rise in sales revenue, and a 7 per cent improvement in operating profit, at A\$7.9m.

The Asia-Pacific results continued to be driven by the extremely strong growth in Indonesia, although New Zealand and Papua New Guinea also performed well. Overall, results from this region showed an increase in sales from A\$269.7m to A\$299.9m, and a rise in trading profits from A\$27.2m to A\$29.1m.

In Europe, results were boosted by acquisitions, and showed sales up from A\$503.1m to A\$941.6m and trading profits of A\$40.7m, against A\$28.7m. However, the group reported growth in most markets and said that the Romanian business, acquired in the second half of 1995, had made a "strong contribution".

ValuJet set to fly again

ValuJet, the US low-cost airline that was grounded in June after one of its aircraft crashed, yesterday reported after-tax losses of \$9.6m for the second quarter compared with profits of \$16.9m a year earlier. But the company said it hoped to start flying again in the week beginning August 19, subject to the Federal Aviation Administration's approval.

US fertiliser groups to merge

Arcadian and Freeport McMoran, two of the biggest fertiliser makers in the US, announced a merger which will create a company with combined revenues of \$2bn. Arcadian is the biggest maker of nitrogen-based fertilisers in the western hemisphere, while Freeport owns 51 per cent of Freeport McMoran Resources, a producer of phosphate fertiliser.

Columbia/HCA ahead 13%

Columbia/HCA, the biggest hospital company in the US, registered a 13 per cent rise in second-quarter revenues to \$4.9bn thanks in part to further acquisitions. That, and slower growth in its costs, translated into a 16 per cent improvement in operating earnings to \$1.1bn.

Columbia's latest results were underpinned by a 10 per cent rise in revenues at its existing hospital facilities, reflecting higher admission levels. Also, the growth of lower-cost outpatient care resulted in revenues from this area rising to 39 per cent of the total, from 36 per cent a year before.

Intel delays P55C launch

Intel, the leading producer of microprocessors for personal computers, said it will delay the introduction of its multimedia Pentium microprocessor until the first quarter of 1997 but that it does not expect the delay to affect PC Christmas sales.

The microprocessor, known as the P55C, was to have been launched in small quantities in the fourth quarter of this year. The delay will affect thousands of hardware and software companies who are working to produce P55C-based PCs and software applications.

Sudamtex posts 50% increase

Sudamtex de Venezuela, the textile group, reported a 50 per cent increase in profit for the year ended June 30 to \$32.7m. The advance was achieved on an eight-fold leap in sales over last year to \$169.5m. In addition, said Mr Alexander Furth, the Sudamtex president, results reflected new investments in plant and technology coming on stream, as well as efforts to cut costs and streamline operations.

Mexico's banks seek foreign partners

Need for fresh capital spurs the search for overseas allies

Mexican banks have stepped up the search for strategic foreign partners as they rush to complete recapitalisation programmes before the end of this year.

While a second-quarter results suggest that banks are recovering from last year's financial turmoil, with bad loans stabilising and capitalisation levels improving, most sights are now set on how the banking system will cope with tough new accounting rules, which take effect early next year.

The transition to US accounting practices has unleashed a race within the banking system to produce the balance sheet with the highest provisions against bad debts. And it is the search for fresh capital which has many Mexican banks inviting foreign partners to acquire sizeable stakes in their institutions.

ICTSI lifted by Philippine trade volumes

By Edward Luce in Manila

International Container Terminal Services (ICTSI), the Philippines' largest cargo handling group, attributed strong net profits growth in the first half of 1996 to the country's rapidly growing trade volumes.

per cent to 192m pesos (US\$77m) in the first six months of 1996. Revenue grew by 21 per cent to 1.24bn pesos while operating expenses grew by 17 per cent to 88m pesos.

Mr Chris Hunt, head analyst at W.L. Carr in Manila, said the company's growth was strongly linked to the country's export/import industry, which is growing quite strongly this year.

trading at a relatively expensive price - closed 4 per cent up yesterday at 17.50 pesos, but below the record high of 20.5 pesos.

plays on the country's growing export-oriented manufacturing sector," he added, so analysts say that the company's high gearing ratio - its debt-equity ratio stands at more than 180 per cent - puts a question mark over the short-term attractiveness of the stock.

Goodman Fielder warns of A\$75m abnormal charge

By Nikki Tait in Sydney

Goodman Fielder, the largest food manufacturer in Australasia, yesterday warned that it would make only a "modest net profit" for the year to end-June, after taking an abnormal charge of about A\$75m (US\$56m) to cover asset write-downs and rationalisation expenses.

Other expected charges include a A\$14m write-off of capital and commissioning costs at a new gelatin facility, and a A\$14m write-down in Goodman's Asian operations.

Items here include the costs of discontinuing the Smartno snacks joint venture in Indonesia; losses resulting from a decision to pull out of a Vietnamese flour-mill project; and the "reassessment" of the carrying value of the Sinar Meadow oils operation, also in Indonesia.

Tim Price, MCI's president of telecoms.

But perhaps the whole one-stop concept is flawed. This is the view of AirTouch, the San Francisco-based cellular phone company.

making snacks, on the basis that people who drank beer also ate pretzels and peanuts. The result was so disastrous that in February, Anheuser said it would close the business, Eagle Snacks, at a cost of more than \$200m.

The company has made numerous management changes since Mr David Hearn was brought in as chief executive in 1995 from United Biscuits of the UK, and analysts had hoped for significant progress in the 1995-96 financial year. However, expectations were scaled back last year, and yesterday's news left Goodman's share price unchanged at A\$1.30.

Mr Kohl adds that one-stop customers, in whatever market, demand a discount. As a supplier, what savings are you achieving to pay for that?

Simple, says MCI's Mr Price: reduce the rate of churn, or customer defection. Churn is one of the industry's biggest problems, worsened by the phone companies' habit of bribing customers to change supplier.

Mr Price maintains that the more services customers take from MCI, the more loyal they prove. "As marketers, we have to be able to price [MCI One] at a point where, at the end of the customer life, you're better off."

Mr Kohl adds that one-stop customers, in whatever market, demand a discount. As a supplier, what savings are you achieving to pay for that?

YPF beats forecasts in second quarter

By David Pilling in Buenos Aires

Higher crude oil prices and an improved performance by its Maxus subsidiary helped YPF, Argentina's hydrocarbons group, achieve better-than-expected second-quarter profits of \$223m, marginally above the \$219m in the same period last year.

Second-quarter operating profits leapt 55 per cent to \$388m, but were offset by higher tax charges and the cost of financing the \$1bn debt associated with last year's acquisition of Maxus, a US oil group. Under the terms of its 1993 privatisation, YPF paid virtually no tax until 1996, but in the first six months of this year it has paid \$152m.

Operating income for the first half rose 44 per cent to \$680m, though profits dropped to \$368m against \$402m a year ago.

Mr Roberto Hernández, director-general of Grupo Financiero Banamex-Accival, which owns Banamex, says debt relief schemes are working better, and that problem loans are close to being stabilised.

But Mr Hernández admits that the bank is still sorting out the wheat from the chaff.

"We need to distinguish between clients who were hit by the recession and high interest rates and those who were no-hopers even before the crisis began. Last year's financial crisis blurred the difference between the two kinds of debtor."

Mr Nells León, YPF president and chief executive officer, said the group had achieved "record operating income" in the second quarter thanks to "higher crude oil volumes and prices, improved natural gas prices, increased Maxus operating income and cost-reduction efforts." This "more than offset lower petroleum product margins".

SALOMON INC
(Issuer)

Notice of Redemption
VEN 2,000,000,000

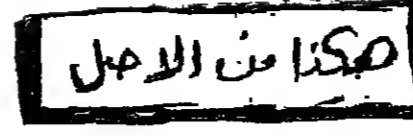
Euro Medium Term Notes due 29th August 1996
(Common Code: 5079644, ISIN Code X3005079644)

Notice is hereby given, in accordance with the Pricing Supplement dated May 20, 1994 relating to the above mentioned series of notes that the Issuer intends to redeem all the Notes on the Optional Redemption Date: August 26, 1996 at a price of 100% of principal plus accrued and unpaid interest at 3.8% per annum through but not including the redemption date of August 26, 1996.

August 8, 1996, London
By Citibank, N.A. (Common Agency and Trust), Agent Bank

CITIBANK

Agent: Morgan Guaranty Trust Company
JPMorgan



Ricardo Guajardo: provisions made ahead of move towards US accounting practices

TECHNOLOGY

Despite a slow start, machine vision systems are making a comeback. Anna Kochan reports

Inspectors on the lookout

Along the line the nappy comes. Then another. And another, and another. More than 300 per minute altogether. The nappies never stop, but as they travel inexorably on, from one production stage to another, their progress is surveyed by carefully located cameras.

These are quality control inspectors: they watch for tape tabs and determine the presence and dimensions of the absorbent pad. They inspect the size, shape and contour of the nappy. They ensure that they satisfy the stringent quality standards demanded by the customer of the 1990s.

Machine vision seems to be an obvious solution to the quality problem but this young technology has far from met its original expectations. When it appeared in the 1980s, it was believed to be the answer to every automation problem.

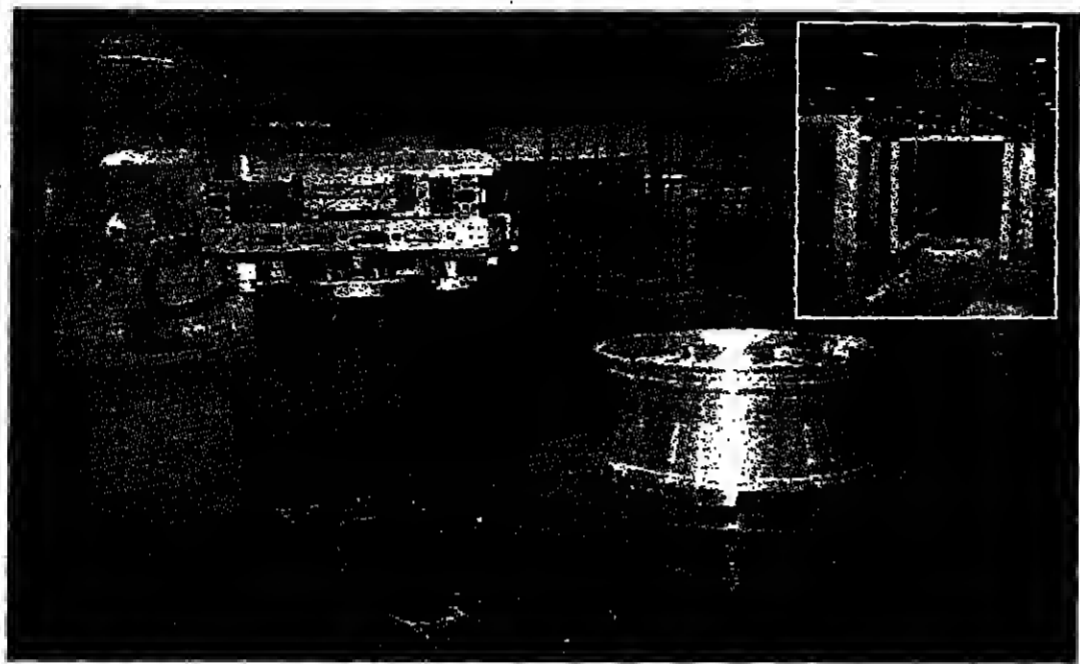
Such ideas were soon to be proved false. Industry analysts forecast very rapid growth in sales but this was never achieved. The new technology itself caused widespread disappointment because it was complicated to use and extremely expensive.

Fortunately for nappy manufacturers, and others, the vision enthusiasts did not despair. They persisted with their development projects and soon found areas of application that not only worked but also created profit. Now confidence in machine vision has been gradually restored and the latest systems are cheaper and easier to use than ever before.

The past five years have seen considerable growth in the European vision market, says Eric Ceyrolle, vice president of European operations at US company Cognex, the world's leader in vision. Ceyrolle estimates that the market has grown from \$20m-\$30m (£12.8m-£19.2m) in 1991, when Cognex started up in Europe, to \$200m today.

At the same time, applications of vision have become more diverse. Ten years ago, the only industries which invested in vision were semiconductors and electronics, where vision was essential. Ceyrolle says: "The semiconductor industry needed vision because it was handling tiny and very precise components and because it demands extremely high performance. It was worth investing in developing solutions for this sector because there was volume business to be won. Half the European vision market is still tied up in this sector."

Having gained experience in vision systems for the semiconductor industry, Cognex went on



Black & Decker and Alloy Wheels are raising levels of customer satisfaction and facilitating production automation

to conquer other markets. The medical and pharmaceutical industry is the one where vision is essential today, Ceyrolle indicates. It is used for the full inspection of label printing quality on bottles, for checking that intravenous bags are correctly assembled, for gauging the sharpness of surgical needles and verifying that syringes contain the correct amount of product and that it is free of contamination.

Developing a vision solution for a specific application does, however, demand a heavy investment, which is why Cognex heads for niche markets likely to bring large quantities of repeat business.

As the technology becomes more mature, prices are dropping. Cognex reports that its installations, which cost as much as \$100,000 or \$200,000 10 years ago, are now down to around \$35,000.

A small UK vision specialist, Image Industries, recently

brought out a system at just £2,500. "At this price, the user has the job of setting up his own application but that is a simple task taking about half a day," says Peter Neve, managing director. "In the past you almost needed to be a computer programmer to develop an applica-

tion but that is no longer true." Neve says Image Industries' low-cost Checker system can accomplish the simpler 80 per cent of all industry's vision requirements. It can handle up to 50 inspections per second and is likely to be used for checking parts and products moving continuously on a conveyor.

Most often, says Neve, companies adopt vision technology to achieve full product inspection, whereas previously they had only inspected samples, or out at all. "An operator cannot concentrate on a repetitive inspection task to give a reliable 100 per cent inspection. This is where the camera has an advantage."

Black & Decker, a typical Image Industries customer, has progressively introduced vision technology at its Spennymoor plant in northern England to raise levels of customer satisfaction. Norman Spence, manufacturing engineer, says: "Before we used vision to check that all the components were present in a carton before packaging it up, we used to have a lot of customer complaints about missing parts."

Not all vision systems have a quality control agenda, however. They also facilitate production automation. At Alloy Wheels in Stroud, Gloucestershire, vision has led to a saving of one opera-

tor per shift and 10 per cent higher output, says Dave Smith, senior shopfloor engineer. Instead of an operator, a robot loads wheels to a drilling machine.

But whereas an operator is able to recognise how to orientate the wheel for drilling, a robot cannot. Thus, a camera is needed to view the wheel on a turntable, and to calculate the rotation of the turntable to bring the wheel round into the desired orientation. The robot can then load it correctly.

These vision applications are not isolated cases. However, a vast untapped potential still exists. Ignorance about what vision is and how it can be used is a big problem, says Gerard Mezin, managing director of ITMI Aptom, the French systems integrator, though he believes that companies now consider it regularly as one of the options available even if it is not often the chosen solution. He sees the market as being fairly stable and growing at a rate of just 4-5 per cent a year.

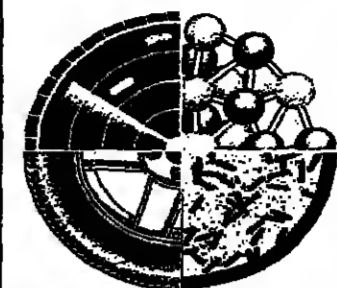
One of the difficulties that has to be overcome before vision is adopted more widely is that companies have to come face to face with the cost of the scrap they are currently producing, which can be rather daunting, says Don Braggins, independent vision consultant.

"People are worried that vision will reveal that they're producing more scrap than they previously thought and this will mean lower output of good product. But, if they stop to calculate the benefit of using vision to eliminate scrap, they are likely to discover that 1-2 per cent of raw material costs can be saved, which can be a lot of money."

For those more complicated vision applications where the low-cost Image Industries approach is inadequate, the Sira Technology Centre in Chislehurst, Kent, has set up the Intelligent Imaging Programme aimed at helping manufacturing companies develop their own vision solutions without having to employ a specialist. It will bring the cost of a £50,000-£100,000 installation down to £10,000-£20,000, says Bill Simmonds, the centre's manager.

"We're not developing any vision technology. That already exists on the market. The problem for the user is to select the best technology available for the specific application. Our project aims to generate a tool that is user-friendly, even for small companies, and would analyse a user's vision application and relate it to the technology available on the market."

Worth Watching - Vanessa Houlder



for Microsoft Excel or Lotus 1-2-3. The software allows computations based on figures from within the spreadsheet to be displayed graphically as charts and graphs.

Decision Curve: UK, tel (0)171 786 7000; fax (0)171 9306466.

Early diagnosis of glaucoma

Glaucoma is the most common cause of blindness in the industrialised world. But it is difficult to diagnose because the patient does not notice the deterioration in vision until a late stage.

German scientists are developing a technique that could reveal the earliest signs of glaucoma. It depends on detecting the damage to the head of the optic nerve that is caused by increased pressure on it. Laser tomography is used to produce images of the area, which are analysed using image-processing methods. The technique was developed by researchers at the University of Erlangen, software companies and the Fraunhofer Institute for Non-Destructive Testing.

Fraunhofer Institute for Non-Destructive Testing: Germany, tel 3513748253; fax 3513748219.

Starting in a video conference

Brainstorming over a video conferencing link could become easier with the development of a voice-activated camera device that automatically zooms in on the main speakers in a room.

The device has four internal microphones that locate incoming soundwaves. An algorithm calculates the arrival time of the sound waves at each end of the microphones to work out the angles at which the camera should pan, tilt and zoom. A voice processing circuit distinguishes human voices from any other sound.

PictureTel, the US-based developer of the Limesight system, says it is able to track the position of people as they move around during the meeting. If more than one person is speaking, the camera adjusts its pan, tilt and zoom angles to include all the relevant people in its view.

PictureTel: UK, tel (0)1753 673000; fax (0)1753 673010.

Buckyballs as lubricants

Buckyballs - the football-shaped molecules made from 60 carbon atoms - may be able to improve the performance of conventional lubricants, according to a report in today's Nature.

After their discovery 11 years ago, scientists were intrigued by their ability to rotate rapidly while remaining in their lattice position, like miniature ball bearings. But early hopes that these molecules would be successful lubricants were not supported by experimental evidence.

Now researchers at the University of California at Santa Barbara have shown that the molecules, known as buckminsterfullerenes, show "great promise" as an additive. They found that the molecules, when dissolved in toluene, reduced the frictional drag between the liquid and a surface to close to zero.

University of California, Santa Barbara: US, tel 805 893 8407; fax 805 893 7570.

Spreadsheets made easy

A software tool designed to take the drudgery out of writing spreadsheets has been designed by a newly formed spreadsheet specialist.

The tool, called Interactive Forecasting, can speed up the development of a spreadsheet model by up to 10 times, according to Decision Curve, its developer.

The user supplies a formal description of the business model required, listing all the variables and the relationships between them. This description is sent to an on-line server computer at a customer service centre, which automatically compiles a custom spreadsheet

Verbundnetz Gas AG

Energy on the move



We are an east German gas merchant company: our day-to-day business shows us what it takes to put the east German economy on the move towards recovery: energy. For us, energy isn't just natural gas - even though natural gas is the most popular form of energy with consumers, utilities and businesses. For us, it is also the initiative, flexibility and commitment needed to put our economy back on its feet. Together with our partners in energy - regional distributors, local government and industry - we have already moved a long way within a short space of time. We are able to supply natural gas via an area-wide network to all parts of east Germany - a major achievement which has received international recognition. Now we are focusing on the finer details: greater flexibility in gas purchasing and the ability to meet growing demand for gas. That makes us the right partner for energy.

Verbundnetz Gas AG - Karl-Heine-Straße 10 - D4229 Leipzig - Germany - Telephone: (00 49) 341 443-01

COMMERCIAL UNION

RESULTS - 6 MONTHS 1996

Good underlying performance

- Interim dividend increased by 7% to 11.45p.
- Pre-tax operating profit of £216m (1995 £248m) affected by an increase of £56m in weather claims in the US and UK.
- Strong life business growth and life profits up 14% to £117m.
- Good growth in profits from France and the Netherlands.

John Carter, Chief Executive, commenting on the results said: "A good underlying performance offset the effect of increased weather claims. Excellent progress continues to be made in France and the Netherlands and strong growth was produced by our worldwide life businesses."

	6 months 1996 Unaudited	6 months 1995 Unaudited
Total premium income	£4,569m	£4,426m
Operating profit before taxation	£216m	£248m
Profit on ordinary activities before taxation (ii)	£280m	£275m
Profit attributable to shareholders	£178m	£204m
Operating earnings per ordinary share	20.0p	26.4p
Interim dividend per share	11.45p	10.70p
Shareholders' funds	£3,990m	£4,074m

Note: (i) Includes realised investment gains before taxation of £44m (1995 £39m). (ii) At 31 December 1995.

The 1996 interim report will be circulated to shareholders on 30 August 1996 and copies can be requested from the Shareholder Relations Service at the address below or by telephoning 0171 283 7500 ext 28866.

Commercial Union plc, St. Helen's, 1 Undershaft, London EC3P 3DQ
Internet: http://www.commercial-union.co.uk/cu

INTERNATIONAL CAPITAL MARKETS

Gilts shrug off Bank's warning on rates

By Samer Iskandar and Peter John

UK gilts shrugged off the publication of the Bank of England's Quarterly Bulletin, although the bank made clear it was increasingly inclined to raise interest rates in order to contain inflationary pressures.

After falling in morning trading, Liffe's September long gilt future recovered to settle at 108 1/4, up 1/4 and near the day's highs. The market chose to focus on the short-term outlook which, according to the Bank, shows that "cost pressures are very weak" and retail price inflation "is likely to fall below 2 1/2 per cent within the target over the next six months or so".

Analysts at Bridgewater Associates, a US-based currency and bond management firm, said "all indications find inflation subdued and

likely to fall further... a situation (that is) very bullish for gilts". In the cash market the 10-year benchmark gilt rose 1/4 to 9 1/4, while the 3 per cent bond due 2000 lost 1/4 to 103 3/4.

Traders said they saw lengthening trades. "Now that the market believes a rate cut is unlikely in the near future, investors are unwinding the short-term positions they had put on to benefit from a rate reduction," said Mr Simon Briscoe of Nikko Europe. "They were getting out of three to five-year maturities and into seven to 10-year paper".

But analysts also warned that although investors had chosen to focus on the short-term implications, the inflation outlook now appeared more bullish in the long term. In its report, the Bank yesterday stated clearly that inflationary "risks are skewed towards the upside", with retail prices reaching an annual rate of growth of 2.8 per cent in 1996 if interest rates are not raised pre-emptively.

French OATs proved resilient, closing slightly higher despite renewed weakness of the currency. Matif's September maturity futures closed at 123.82, up 0.20. In the cash market, the 10-year yield spread over bonds was unchanged at 5 basis points. The franc's weakness, however, weighed on shorter rates. The five-year BTAN lost 0.08 at 101.19, while Matif's September future on three-month Pibor rates closed at 95.89, down 0.09. Economists questioned an announcement by the government that it

planned to meet the Maastricht criteria for monetary union in 1997 and still be able to cut taxes.

Traders' unwinding of convergence trades held bonds outperform high yield spreads of Italian ETFS and Spanish bono over bonds widened by 8 and 13 basis points respectively to 318 and 263.

Supply considerations dominated the US Treasury market again yesterday as the \$36bn quarterly refunding continued. However, there was external encouragement from Japan, where the director general of the Ministry of Finance gave assurances over interest rates.

Mr Eisuke Sakakibara said the interest rate gap between Japan and the US was "not in a situation

where it will shrink for some time".

Any hike in Japanese rates would still the yen forward carry trades - borrowing money in Japan to take advantage of the very low rates and investing the cash into Treasuries for higher returns.

Mr David Brown of Bear Stearns, said Mr Sakakibara's statement added to the feeling of rate relief which spread with last week's low US employment and price data. Consequently, the US long bond moved forward 1/4 by midday to yield 6.740 per cent. Some economists are predicting that continued support could take the yield down to 6.5 per cent in the near term. At the 10-year end, where investors were bidding for \$10bn of new paper, benchmark bonds rose 1/4 to yield 6.509 by midday.

Survey shows growing use of derivatives by insurers

By Peter John

Leading UK insurance groups now use derivatives as important mechanisms in their investment strategy, according to a survey published yesterday.

The Liffe survey adds weight to an earlier review of pension fund activity, which showed that a third of investment groups questioned use futures and options.

It reflects a significant change of attitude by institutional investors, which represent more than half of the UK market. Mr Sandy Phillips, head of equity products at Liffe, said: "The results show that the use of futures and options is now an essential part of portfolio management within the UK life insurance industry".

Mr Derek McLean of Abbey Life, one of the UK's leading life companies, said derivatives were used as "a matter of course" and provided big cost savings as well as a more simple way of shifting assets. "The major

moves would be implemented in derivatives, if only as an initial move," he said.

He added that when the group needs very specific products it also acquires tailor-made derivative contracts through the over-the-counter market.

Liffe surveyed 55 of the UK's largest life insurers, with funds worth more than £160bn on average. It found 71 per cent of respondents used derivatives. Almost 60 per cent said they used derivatives more than they did two years ago, and 63 per cent believed their use would increase further over the next two years.

Most of the activity is within exchange-traded futures rather than options. Within pension funds, which own 33 per cent of UK equities and where trustees have traditionally been sceptical of futures markets, activity has grown very quickly. While 29 per cent of fund managers used options and futures in 1993, 51 per cent were using them by the time the same question was asked this year.

However, the sample size was much larger - 580 funds were questioned for the most recent information - and Mr John Rogers, director of the National Association of Pension Funds, said activity had grown. "What we found in the past was that although many managers were authorised to use derivatives, not many actually used them".

As with insurance groups, the prime motivation is asset allocation. Funds will also take derivative positions if they anticipate a big influx of cash as it lessens the counter-party's risk. J.P. Morgan Investment Management, with client portfolios worth \$37bn in London, has seen an increasing use of derivatives.

Mr Geoff Lindsey, head of UK institutional investment at the group, said: "Over the past 12 to 18 months we have seen a change in attitude. People have started to realise that if you have the proper controls and a proper understanding of what is going on, they are a valuable tool. The cost savings are very significant."

Abbot Laboratories poised for \$250m debut

By Antonia Sharpe

Chicago Laboratories, the Abbot drug company, is set to make its first appearance in the eurobond market today with a \$250m five-year transaction.

The maturity of the deal, via Goldman Sachs, suggests that the bonds will be targeted at European retail investors who are keen on

Earlier, Germany's KfW offering, and Sweden and Wait Group both launched Swiss franc deals yesterday.

The 10-year maturity on Sweden's deal was relatively unusual for the Swiss franc sector, but lead manager UBS said the borrower had opted for that maturity because of strong demand from investors. The interest was much that the offering was increased from SF150m to SF200m. The bonds traded at less than 2 1/2/25 per cent, well inside fees of 2 1/2 per cent.

Wait Disney's SF125m four-year offering was also well-received, and traded at less 1.60/1.50 per cent, inside fees of 1 1/2 per cent. The proceeds of both transactions are believed to have been swapped into dollars at a sub-Libor rate. Argentina returned to the

Table: New international bond issues. Columns: Amount, Coupon, Price, Maturity, Yield, Spread, Book-runner.

eurobond market for the first time since the removal last month of the country's economy minister, Mr Domingo Cavallo, which

caused spreads on benchmark Argentine paper to widen by 30 basis points, to 330 basis points. The discount margin on yesterday's \$500m offering of three-year floating-rate notes of 274 basis points over Treasuries showed that investor fears have since subsided.

INTERNATIONAL BONDS

bonds from top-quality borrowers. Abbot has a coveted triple-A/double-A1 credit rating, which will be reflected in the pricing of its offering. The yield spread is expected to be 16-18 basis points over Treasuries. Abbot is the latest high-quality name to come to the eurobond market this week.

WORLD BOND PRICES

Table: BENCHMARK GOVERNMENT BONDS. Columns: Country, Coupon, Red Date, Price, Day's change, Yield, Week ago, Month ago.

BOND FUTURES OPTIONS (LFFE) DM250,000 points of 100%

Table: BOND FUTURES OPTIONS (LFFE) DM250,000 points of 100%. Columns: Strike, Price, Sep, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

FT-ACTUARIES FIXED INTEREST INDICES

Table: FT-ACTUARIES FIXED INTEREST INDICES. Columns: Price Index, UK Gilt, 1-5 years, 5-10 years, 10-15 years, 15-20 years, 20-25 years, 25-30 years, 30+ years.

Telco issue oversubscribed

By Tony Tassell

A \$175m Global Depository Receipt issue by Tata Group's Reliance Petroleum Co (Telco), the Indian car and truck maker, has been oversubscribed by 1.5 times, the issue's lead managers said.

The issue was the third large fund-raising from the international market by an Indian company within a week, and may prompt other companies to proceed with proposed GDR issues over the next few months. Industrial Credit and

Investment Corp of India, the financial institution, earlier placed a \$300m issue which is 15 per cent green shoe option, while Reliance Petroleum, part of the textiles to petrochemicals Reliance group, raised \$425m through a syndicated loan and convertible bond issue.

The Telco issue, which had an additional \$25m green shoe option, was priced at \$4.25 a GDR. Each GDR represents one underlying domestic share. The pricing represents a 1.8 per cent premium over

Tuesday's closing price for the underlying domestic shares and a 0.8 per cent discount to Telco's existing GDRs. The Tata group company had raised \$115m through a GDR issue in 1994. The latest issue's two lead managers were Credit Suisse First Boston and Merrill Lynch. Investment bankers said that the success of the issue represented a continued shift towards quality by international investors in Indian paper.

US INTEREST RATES

Table: US INTEREST RATES. Columns: Rate, One month, Three month, Six month, One year, Two year, Three year, Five year, Ten year, Thirty year.

UK NATIONAL SPANISH BOND FUTURES (MEFF)

Table: UK NATIONAL SPANISH BOND FUTURES (MEFF). Columns: Open, Settle, Price, Change, High, Low, Est. vol., Open int.

FT FIXED INTEREST INDICES

Table: FT FIXED INTEREST INDICES. Columns: Fixed Secur., UK Gilt, 1-5 years, 5-10 years, 10-15 years, 15-20 years, 20-25 years, 25-30 years, 30+ years.

GILT EDGED ACTIVITY INDICES

Table: GILT EDGED ACTIVITY INDICES. Columns: Gilt Edged, 1-5 years, 5-10 years, 10-15 years, 15-20 years, 20-25 years, 25-30 years, 30+ years.

BOND FUTURES AND OPTIONS

France

Table: NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000. Columns: Open, Settle, Price, Change, High, Low, Est. vol., Open int.

Germany

Table: NOTIONAL GERMAN BOND FUTURES (MATIF) DM250,000 points of 100%. Columns: Open, Settle, Price, Change, High, Low, Est. vol., Open int.

UK Gilts

Table: UK Gilts. Columns: Name, Yield, Bid, Offer, High, Low.

US

Table: US TREASURY BOND FUTURES (CBT) \$100,000 points of 100%. Columns: Open, Settle, Price, Change, High, Low, Est. vol., Open int.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 7.

Table: FT/ISMA INTERNATIONAL BOND SERVICE. Columns: Issued, Bid, Offer, Cdn Yield, Bid, Offer, Cdn Yield.

FLOATING RATE NOTES

Table: FLOATING RATE NOTES. Columns: Issued, Bid, Offer, Cdn Yield.

CONVERTIBLE BONDS

Table: CONVERTIBLE BONDS. Columns: Issued, Bid, Offer, Cdn Yield.

BASE LENDING RATES

Table: BASE LENDING RATES. Columns: Issued, Bid, Offer, Cdn Yield.

Other Fixed Interest

Table: Other Fixed Interest. Columns: Name, Yield, Bid, Offer, High, Low.

Other Fixed Interest

Table: Other Fixed Interest. Columns: Name, Yield, Bid, Offer, High, Low.

Other Fixed Interest

Table: Other Fixed Interest. Columns: Name, Yield, Bid, Offer, High, Low.

Other Fixed Interest

Table: Other Fixed Interest. Columns: Name, Yield, Bid, Offer, High, Low.

Vertical sidebar containing various market reports and data, including 'MARKETS REPORT', 'French fran', 'BRIDGE CROSS RATES', 'FOREIGN MONEY RATES', 'BASE LENDING RATES', and 'CONVERTIBLE BONDS'.

Handwritten Arabic text: سوق من الال

CURRENCIES AND MONEY

MARKETS REPORT

French franc continues to wilt in summer heat

By Philip Gawth

The French franc slipped yesterday to a four month low on the foreign exchange amid widespread speculation that the Bank of England was supporting the currency.

Markets remain sceptical about the French government's resolve to continue taking stiff economic medicine, necessary to meet the Maastricht convergence criteria, at a time when the economy remains lacklustre.

The French franc closed in London at FF3.414, down from FF3.404. Earlier it had slipped to an intra-day low of FF3.417.

The D-Mark was stronger against most currencies. Against the lira it finished at L1.024, from L1.021.

Another feature of the day's trading was the weakness of the yen. It finished at Y72.67 against the D-Mark, from Y72.04. This move helped the dollar rally to

Y107.75, from Y106.96, against the yen. It was little changed against the D-Mark at DM1.429, from DM1.424.

Sterling had a better day, helped by the release of the Bank of England's quarterly report, which appeared to rule out the prospect of any near-term cut in interest rates.

A year ago analysts were predicting a long hot summer for the French franc. Although it did manage to fall from FF3.42 to FF3.50 against the D-Mark between August and October, the Bank of France was successful in defending the currency against many speculators' lost money.

Now they appear once more to have the franc in their sights. According to one New York based hedge fund analyst, the current tensions reflect the divergences between the French and German growth cycles.

In France, by contrast, unemployment continues to rise, to 12% per cent, while business indicators are depressed. As a result, markets are starting to focus on the September 18 budget and are asking how the government will manage to produce a package capable of keeping it on track for Maastricht.



make it more difficult for Germany to cut rates. Even if it does, the cut is unlikely to be large, and could well be delayed by the market deciding it is the last.

Mr Mike Gallagher, analyst at IDRA, the financial markets consultancy in London, said there had been numerous rumours of the Bank of France intervening.

One observer said the bank had been seen at FF3.390, FF3.4025 and FF3.4065.

Three reasons were given for the weakness of the yen (which has weakened dramatically, especially against the D-Mark, since reaching Y99.60 only three weeks ago).

The most important was the report in an influential Japanese newspaper suggesting that the Bank of Japan was under pressure from the Ministry of Finance and the US government not to raise rates. A report in the same paper a few months back, about the BOJ considering raising rates, prompted the yen to rally.

In a matter of weeks, therefore, the situation has changed such that the Bundesbank looks less likely to cut rates, while the BOJ looks less likely to raise rates.

Comments from Mr Eisuke Sakakibara, the influential MOP official, saying that the recent downward trend in the dollar was over, as fundamentals had not changed.

Some observers, however, believe that the influence of Mr Sakakibara, who is closely identified with a "strong dollar" policy, is less than it used to be.

Finally, comments on Tuesday from Mr Ryutaro Hashimoto, the prime minister, were also interpreted as setting back the case for a rise in interest rates. He said an autumn general election - which had earlier been seen as reason for raising rates, in order to please sav-

POUND SPOT FORWARD AGAINST THE POUND

Table with columns for currency, closing mid-point, change on day, bid/offer spread, etc. Includes rows for Europe, Americas, and Asia.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns for currency, closing mid-point, change on day, bid/offer spread, etc. Includes rows for Europe, Americas, and Asia.

OTHER CURRENCIES

Table listing various currencies and their rates against the dollar, including Australian Dollar, Canadian Dollar, etc.

CROSS RATES AND DERIVATIVES

Table showing exchange rates for various currencies like the British Pound, Japanese Yen, etc.

EUROPEAN CURRENCY UNIT RATES

Table showing ECU rates against various currencies and the percentage change from the previous week.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

WORLD INTEREST RATES

Table showing money rates for various currencies and maturities.

EURO CURRENCY INTEREST RATES

Table showing Euro currency interest rates for various currencies and maturities.

THREE MONTH EURO AREA FUTURES (LFFE) DM1m points of 100%

Table showing three-month Euro area futures prices for DM1m points of 100%.

THREE MONTH EURO AREA FUTURES (LFFE) L1,000m points of 100%

Table showing three-month Euro area futures prices for L1,000m points of 100%.

THREE MONTH EURO AREA FUTURES (LFFE) SF1m points of 100%

Table showing three-month Euro area futures prices for SF1m points of 100%.

THREE MONTH EURO AREA FUTURES (LFFE) Y100m points of 100%

Table showing three-month Euro area futures prices for Y100m points of 100%.

THREE MONTH EURO AREA FUTURES (LFFE) Y100m points of 100%

Table showing three-month Euro area futures prices for Y100m points of 100%.

THREE MONTH EURO AREA FUTURES (LFFE) Y100m points of 100%

Table showing three-month Euro area futures prices for Y100m points of 100%.

THREE MONTH EURO AREA FUTURES (LFFE) Y100m points of 100%

Table showing three-month Euro area futures prices for Y100m points of 100%.

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Advertisement for Futures & Options, highlighting a \$32 round turn offer.

Advertisement for Knight-Ridder's Futures Market Data, offering comprehensive market information.

Advertisement for Futures - Tax Free, promoting tax-efficient trading strategies.

Advertisement for Offshore Companies, providing information on international business structures.

Advertisement for Petrol Argus, offering oil market data and analysis.

Advertisement for Kolon Industries Inc., featuring convertible bonds due 2004 and 2003.

Advertisement for Chase Bank, providing information on bondholder services.

Advertisement for US\$175,000 Floating rate depositary receipts due 1997.

Advertisement for Banca Di Roma, offering financial services and products.

Advertisement for JPMorgan, providing investment and financial advisory services.

Advertisement for Bongrain S.A., highlighting consolidated sales and market performance.

growing by insurers

subscribed

COMMODITIES AND AGRICULTURE

LME options bloomer causes red faces but "minimal" losses

By Kenneth Gooding, Mining Correspondent

Somebody either forgot to push the right button or pushed the wrong button at Metallgesellschaft's metal trading organisation in London yesterday and the group faced the possibility of losing several million pounds of profit on its copper options business.

He insisted that MG's potential losses from the problem were "minimal". Traders said there had been other, very occasional instances of similar problems with the LME's option business. Some suggested the exchange's manual system was creaking under the strain of having to handle a growing amount of business.

that these options were not valid because of a technicality. They were deeply in the money and all the counterparty - if they were trading properly - would have taken steps to cover," said one trader.

Pakistan struggles to end human bondage Farhan Bokhari on a system that traps peasants into a life-time of unpaid labour

Jeema (she has only one name) is the victim of a strange accounting system that for decades has forced some of Pakistan's poorest peasants to work on farms as bonded labourers, or virtual slaves. But the practice of keeping labourers like her in bondage, for which some of Pakistan's wealthiest landowners have become notorious, is coming increasingly under attack against a background of growing international criticism.

But she is one of the lucky ones, being among the roughly 2,000 former bonded labourers who've been freed during the past year in police raids on large farms in Pakistan's Sindh province. She now lives in one of the 50 huts made out of straw, located on land donated by a Christian mission outside the town of Maadi, some 200km South of Karachi.

Human rights activists claim that tens of thousands more such labourers are still kept in bondage at privately run jails on farms, where gunners hired by landowners keep them in chains and force them to work in sub-human conditions.

concerns of a confrontation between the government and large landowners, many of whom are politically powerful, senior government officials say, Pakistan is finding it increasingly difficult not to take action, even if it only of a symbolic nature.

Other critics charge that the government needs to attack the problem much more aggressively. The country still has few outlets for offering credit to the poor and illiterate, which forces many peasants to seek loans from landowners, running the risk of being exploited for a life-time. Another problem is that there are few opportunities for the rehabilitation of those who are released from bondage.

Outokumpu plans \$110m zinc boost

By Kenneth Gooding

Outokumpu the Finnish mining and metals group that last year completed a \$1.1bn (US\$360m), three-year programme to expand copper and nickel production, is now turning its attention to zinc.

ment would secure its competitive position "far into the future". The company said it would use a new technology it had developed - a direct method of leaching zinc concentrates (an intermediate material). This would improve productivity and bring down production costs.

China expects record harvest

China's grain harvest is expected to reach at least 468m tonnes this year, while cotton output is seen at 4.5m tonnes, scarcely affected by floods and typhoons, the Ministry of Agriculture said yesterday, reports Reuters from Beijing.

Sugar pact chief sees downward pressure on prices

With an estimated 5.5m-tonne surplus on international markets during 1995-1997, world sugar prices are to come under downward pressure, the executive director of the International Sugar Organisation said, yesterday Reuters from San Luis Potosi, Mexico.

Mr Peter Baron told the annual congress of the Confederation of Iberoamerican and Philippine Sugar Cane Growers.

Mr Baron added that he believed investment fund positions in the sugar market had remained heavy, which had also been a factor in keeping prices high, especially in the New York market. He warned that an exit of funds from sugar markets could lead to an even sharper fall in prices.

market was placed in a difficult situation, with producer nations, and especially traditional exporters looking to boost output.

India, for the foreseeable future, will produce at least enough to cover consumption at a rate of 1m tonnes a year, Mexico, too, is back as a net exporter.

COMMODITIES PRICES

BASE METALS

Table with columns: Metal, Price, Change, High, Low, Vol, Open. Includes Aluminum, Zinc, Lead, Tin, Copper, Nickel, Silver, Platinum, Palladium.

Precious Metals continued

Table with columns: Metal, Price, Change, High, Low, Vol, Open. Includes Gold, Silver, Platinum, Palladium.

GRAINS AND OIL SEEDS

Table with columns: Commodity, Price, Change, High, Low, Vol, Open. Includes Wheat, Soybean, Maize, Barley.

SOFTS

Table with columns: Commodity, Price, Change, High, Low, Vol, Open. Includes Cocoa, Coffee, Sugar.

MEAT AND LIVESTOCK

Table with columns: Commodity, Price, Change, High, Low, Vol, Open. Includes Live Cattle, Live Hogs, Pork Bellies.

LONDON TRADED OPTIONS

Table with columns: Commodity, Price, Change, High, Low, Vol, Open. Includes Aluminum, Copper, Nickel, Silver, Gold, Platinum, Palladium.

LONDON SPOT MARKETS

Table with columns: Commodity, Price, Change, High, Low, Vol, Open. Includes Brent Crude, WTI, Natural Gas, Rubber, Cotton, Wool.

ENERGY

Table with columns: Commodity, Price, Change, High, Low, Vol, Open. Includes Crude Oil, Heating Oil, Natural Gas.

PRECIOUS METALS

Table with columns: Metal, Price, Change, High, Low, Vol, Open. Includes Gold, Silver, Platinum, Palladium.

UNLEADED GASOLINE

Table with columns: Location, Price, Change, High, Low, Vol, Open.

INDICES

Table with columns: Index, Price, Change, High, Low, Vol, Open.

VOLUME DATA

Table with columns: Commodity, Volume, Change, High, Low, Vol, Open.

JOTTER PAD

Handwritten notes and short messages.

CROSSWORD

Crossword puzzle grid and clues.

QUERIES

Handwritten queries and responses.

FUTURES DATA

Table with columns: Commodity, Price, Change, High, Low, Vol, Open.

Notes and Seeds

Text providing information about seeds and related products.

INDEXES

Table with columns: Index, Price, Change, High, Low, Vol, Open.

VOLUME DATA

Table with columns: Commodity, Volume, Change, High, Low, Vol, Open.

QUERIES

Handwritten queries and responses.

Notes and Seeds

Text providing information about seeds and related products.

INDEXES

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VOLUME DATA

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QUERIES

Handwritten queries and responses.

QUERIES

Handwritten queries and responses.

Large vertical advertisement on the right side of the page, featuring various services and contact information.

Offshore Funds and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 874 4378 for more details.

FT MANAGED FUNDS SERVICE

Table listing various offshore funds and insurance products, including names like 'Parquet UT Mgrs (Luxembourg) Ltd' and 'E.T. Investment Management Ltd', along with their respective prices and performance metrics.

Table titled 'LUXEMBOURG (SIB RECOGNISED)' listing a wide range of investment funds such as 'Mandarin Report Global Fund (S)', 'Alpha International Investment Fund (S)', and 'Credit Investment Funds - Credit'.

Table listing 'Straits Securities' and 'Offshore Insurance' products, including 'Straits Securities' and 'Offshore Insurance' with associated prices and details.

Table titled 'LUXEMBOURG (SIB RECOGNISED)' continuing the list of investment funds, including 'Asian Growth Fund (S)', 'Global Growth Fund (S)', and 'Global Income Fund (S)'.

Table listing various investment funds under the 'LUXEMBOURG' section, including 'Global Growth Fund (S)', 'Global Income Fund (S)', and 'Global Bond Fund (S)'.

Table listing 'Offshore Insurance' products, including 'Offshore Insurance' and 'Offshore Insurance' with associated prices and details.

Table listing various investment funds, including 'Global Growth Fund (S)', 'Global Income Fund (S)', and 'Global Bond Fund (S)'.

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Table listing various investment funds, including 'Global Growth Fund (S)', 'Global Income Fund (S)', and 'Global Bond Fund (S)'.

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سوق المال

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 873 4978 for more details.

Offshore Insurances and Other Funds

Table of fund prices and performance metrics for various international and domestic funds, including columns for fund name, price, and change.

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HACKETT LONDON advertisement for a sale of essential British stock, listing various companies and their prices.

OTHER OFFSHORE FUNDS

Table of fund prices and performance metrics for various international and domestic funds, including columns for fund name, price, and change.

MANAGED FUNDS NOTES: Information regarding fund management, including details on the FT Cityline Help Desk and other service-related notes.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued).

LIFE ASSURANCE

Table listing life assurance companies.

MEDIA

Table listing media companies.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies.

OIL, INTEGRATED

Table listing integrated oil companies.

OTHER FINANCIAL

Table listing other financial companies.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies.

PHARMACEUTICALS

Table listing pharmaceutical companies.

PROPERTY

Table listing property companies.

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

Table listing property companies (continued).

RETAILERS, FOOD

Table listing food retailers.

RETAILERS, GENERAL

Table listing general retailers.

SUPPORT SERVICES

Table listing support services companies.

TELECOMMUNICATIONS

Table listing telecommunications companies.

TEXTILES & APPAREL

Table listing textiles and apparel companies.

TOBACCO

Table listing tobacco companies.

TRANSPORT

Table listing transport companies.

WATER

Table listing water companies.

AIM

Table listing companies on the Alternative Investment Market (AIM).

AIM - Cont.

Table listing AIM companies (continued).

AMERICANS

Table listing American companies.

CANADIANS

Table listing Canadian companies.

SOUTH AFRICANS

Table listing South African companies.

Advertisement for Rockwell: 'In the world of automotive component systems, Rockwell is world class.' Includes Rockwell logo.

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service delivered by FT... Symbols referring to dividend status appear in the notes column... FT Free Annual Reports Service... FT Company Focus / Focus Plus... FT Cityline

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 index regains the 3,800 level

By Philip Coggan, Markets Editor

The FT-SE 100 index moved up towards the top end of its recent 3,850-3,950 trading range yesterday, despite a warning from the Bank of England that interest rates would need to rise if the government is to meet its inflation target.

It was hard to pin down the exact reason for Footsie's rise. A dash of takeover speculation certainly helped but the day's corporate results, while generally as good as, or better than, expectations, saw three of the four reporting Footsie constitu-

ents fall in price. Whatever the cause, Footsie recorded its sixth consecutive gain, adding 22.7 points to 3,811.1. It was ahead throughout the session, and held on when the Dow Jones Industrial Average, after an early rise, slipped to an 8-point loss by the close of London trading.

The Bank's views on rates, which were published in its quarterly inflation report, had been well aired in the weekend press and traders greeted the news with equanimity. Short sterling futures, the market's vehicle for speculating on rate changes, weakened a little but were still only looking for base rates to edge up to 6 per cent by March 1997.

over stories flying around and one must remember we're in the middle of the summer and volume is thin. Results have been pretty positive but, while financials have done very well, industrial have looked good only in relation to reduced expectations.



Indices and ratios table showing FT-SE 100 at 3811.1 (+22.7), FT-SE Mid 250 at 4308.0 (+15.5), and FT-SE A 350 at 1906.0 (+10.4).

Best performing sectors table listing Tobacco (+1.6), Gas Distribution (+1.5), and Retailers: Food (+1.5).

FUTURES AND OPTIONS

Table for FT-SE 100 INDEX FUTURES (LFFE) showing open, bid, ask, and change prices for various months.

TRADING VOLUME

Table for Major Stocks Yesterday showing volume, closing price, and daily change for various companies.

Brokers warm to Reuters

News and financial information group Reuters was the second best performer in the FT-SE 100, climbing 22 to 729p, the first real sign of a bounce since it weakened after its results last week.

relief about the better than expected results and the Westminster Press disposal. Better than expected half-year results, with profits up by 39 per cent, helped Metal Bulletin add 63 to 1063p.

action following a strong revival of takeover and share buy-back talk. Rumours of an impending US bid swept through the recs sector after a Virginian newspaper reported that Dominion Resources, which owns state generator Virginia Power, had been refused permission to mount an offer for East Midlands Electricity.

Among waters, Severn Trent bounced to the top of the Footsie rankings as investors were said to have narrowed their search for the next share buy-back story to a handful of stocks.

news plus some doubts about the trading outlook. "The bank's net share of the mortgage market has shaded and there seem to have been slacker trends in retail banking", said one analyst.

Analysts, however, were sceptical about rumours, said to emanate from Holland, that Reed Elsevier may announce an acquisition or a bid today at its half-yearly results. Analysts poured scorn on rumours that Reuters or Pearson might be a target.

Elsewhere in the sector, Railtrack partly paid up on 4% to 231p in the hope that the group's report and accounts, due out today, will provide good news on trading.

Standard Chartered appeared to run into profit-taking in spite of a general move by brokers to upgrade full year profit estimates.

The reaction at Abbey National, which turned in the day's worst Footsie performance, was more puzzling to banking analysts. There was disappointment at the absence of share buy-back

Utilities active

Utilities, both water and electric, bounced back into

Stake in P&O

Transport leader P&O put on some steam following the early morning announcement that P&O, the UK asset management wing of UBS, had built up a 10.1 per cent stake in the company.

London market data

Table showing market data including FT-SE AIM, FT-SE 100, and FT-SE A 350.

FT-SE Actuarial Share Indices

Table showing actuarial share indices for various sectors.

Large advertisement for Business Research Centre with headline 'Unable to find what you are hunting for?' and a coupon for a free cost estimate.

Advertisement for Business Research Centre detailing services for competitors, markets, and customers, including a coupon for a free cost estimate.

Advertisement for Business Research Centre with contact information for Nick Aldrich, including phone and fax numbers.

Table for FT GOLD MINES INDEX showing gold mine share indices and their performance.

Table for FT-SE Actuarial Share Indices - The UK Series, showing detailed performance metrics for various sectors.

Table for FT-SE Actuarial All-Share, showing performance metrics for the all-share index.

Table for FT-SE Actuarial 350 Industry baskets, showing performance metrics for various industry baskets.

Table for Hourly movements, showing hourly price movements for various indices.

Table for FT-SE Actuarial 350 Industry baskets, showing performance metrics for various industry baskets.

Table for Hourly movements, showing hourly price movements for various indices.

Table for FT-SE Actuarial 350 Industry baskets, showing performance metrics for various industry baskets.

Additional information on the FT-SE Actuarial Share Indices, including a disclaimer and contact details.

Large vertical advertisement on the right side of the page, featuring a stylized graphic and text.

سوق من الامل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table of stock market data for Europe, including Austria (Aug 7/ Sch), Germany (Aug 7/ Kon), Italy (Aug 7/ Lin), and others.

ASIA

Table of stock market data for Asia, including Hong Kong (Aug 7/ HKS), Japan (Aug 7/ Yen), and others.

AMERICA

Table of stock market data for America, including Canada (Aug 7/ Can), Mexico (Aug 7/ Mex), and others.

AFRICA

Table of stock market data for Africa, including South Africa (Aug 7/ Rand), Egypt (Aug 7/ EGP), and others.

ISRAEL

Table of stock market data for Israel (Aug 7/ Tel).

NEW ZEALAND

Table of stock market data for New Zealand (Aug 7/ NZ\$).

SINGAPORE

Table of stock market data for Singapore (Aug 7/ S\$).

INDONESIA

Table of stock market data for Indonesia (Aug 7/ Rp).

INDICES

Table of various stock indices including CAC-40, Nikkei, Dow Jones, etc.

US INDICES

Table of US stock indices including Dow Jones, S&P 500, etc.

ASIA

Table of Asian stock indices including Nikkei, Hang Seng, etc.

AFRICA

Table of African stock indices including Johannesburg, etc.

ISRAEL

Table of Israeli stock indices including Tel Aviv.

NEW ZEALAND

Table of New Zealand stock indices including NZSE 100.

SINGAPORE

Table of Singapore stock indices including SSEC.

INDONESIA

Table of Indonesian stock indices including IHSG.

Advertisement for Peregrine: 'Money Talks In Asia. We speak Asia's language. Peregrine is a leader in Asian corporate and project finance, direct investment and asset management.'

INDONESIA

Table of Indonesian stock market data (Aug 7/ HKS).

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Table of Indonesian stock market data (Aug 7/ HKS).

Footnote and disclaimer text at the bottom of the page.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sections for 'A-Z', 'D', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

BE OUR GUEST. SAINT NICOLAS Hotel - REMICH. When you stay with us in the G-D of LUXEMBOURG stay in touch with your complimentary copy of the FINANCIAL TIMES.

سكوات الامل

Have your FT hand delivered. The edge over your competitors. Business centres of Frankfurt and London. World Business News.

Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', '-V-', '-W-', '-X-Y-Z-', and '-U-'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for '-L-', '-S-', '-M-', '-F-', '-G-', '-N-', '-H-', '-O-', '-P-', '-Q-', '-R-', '-T-', '-U-', '-V-', '-W-', '-X-', '-Y-', and '-Z-'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for Financial Times newspaper, featuring the headline 'Have your FT hand delivered in Financial Times' and a promotional message about home delivery services.

Continuation of the NASDAQ National Market table from the previous page, listing various stock prices and market data.

Dow subsides, semis add to recent gains

Wall Street US share prices fell away in late morning trading after a firm start...

after several weak months. Intel was up 4% to 50%, a new record...

third day, following a big healthcare merger on Monday. Oxford rose 3 1/2%...

Surprise results lift Schering 5.9%

A welcome surprise in pharmaceuticals, mixed pickings in the banking sector...

with Allianz left Munich Re registered up DM75 at DM2,565, a new 1996 high.

PARIS equity trading, once again, was affected by weakness in the franc.

sales, added FF21, or 1.4 per cent, at FF1,548.

lower at L2,975. The Mifitel index eased 61 to 9,634...

Mexico supported by rate cut

The region's equity markets were cautiously higher in mid-session trading.

MEXICO CITY was encouraged by a fall in domestic interest rates...

up 15.11 at 3,231.89 by midday. SAO PAULO was holding its own with the Bovespa index just 126 ahead at 61,432.

Nikkei off 1.3% on US unwinding fears

Tokyo Fears that US investors were cutting down their overseas investments heightened pessimism...

index closed 62.15 higher at 3,543.44. Cement and steel shares jumped on higher product prices...

index 6.61 higher at 1,100.13. SHANGHAI balanced a recovery in sentiment against profit-taking...

stayed away, and turnover was just 313.4m.

SEKUL started with underperformance, large-capitalisation stocks and moved on to broadly-based buying...

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Table with columns: Market, No. of stocks, August 2nd 1996, Dollar terms % Change, Local currency terms % Change.

In a review of its Latin American equity portfolio this week Bear Stearns lifted its rating on Mexico to neutral from underweight...

Among speculative stocks, Tokyo Kogyo plunged 7% to Y600...

Among speculative stocks, Tokyo Kogyo plunged 7% to Y600...

FT/S&P ACTUARIES WORLD INDICES

Table with columns: REGIONAL AND NATIONAL MARKETS, Figures in parentheses show number of issues, US Dollar Index, Day's Change, Point Change, Index, Yen Index, DM Index, Local Index, Gross Yield, US Index, Point Change, Index, Yen Index, DM Index, Local Index, Gross Yield, US Index, Point Change, Index, Yen Index, DM Index, Local Index, Gross Yield.

Technology in Retailing - Strategies for Success in a Rapidly Changing Environment

Advertisement for FT Retailing conference, 24 & 25 October, London. Includes list of topics and contact information.

ASIA PACIFIC

Y1,740 and Sony retreated 780 to Y6,790. Banks lost ground on arbitrage-linked trading...

Large vertical advertisement on the right side of the page, featuring 'FIN' and 'Mer' text, and a large image of a person's face.